

NEW ZEALAND
RACING BOARD



Annual Report 2008



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GET MORE INFORMATION ONLINE

We put all our reports, as well as more detailed information, online. To find out more about the New Zealand Racing Board, the TAB or Trackside Television visit:

www.nzracingboard.co.nz

www.tab.co.nz

www.trackside.co.nz

www.theraces.co.nz

CONTACT US

If there is more we can do to help you, or if you would like to know more about anything in this report, please email:
webmaster@nzracingboard.co.nz.

PHOTOS

The photos featured in this Annual Report are courtesy of Trish Dunell, Sav Schulman, Photosport, Mark Coote, Dave Robbie, Race Images Christchurch, Race Images Palmerston North, Doug Cole, Victoria Birkinshaw, John Nicholson, John McCombe, Waikato Times/Kelly Schicker, APN/Brett Phibbs, APN/Richard Robinson and Supersport Images.

The challenges facing us are considerable. However, we will ensure we work in close partnership with the Codes, industry stakeholders and government to show leadership in building on our platform for growth.

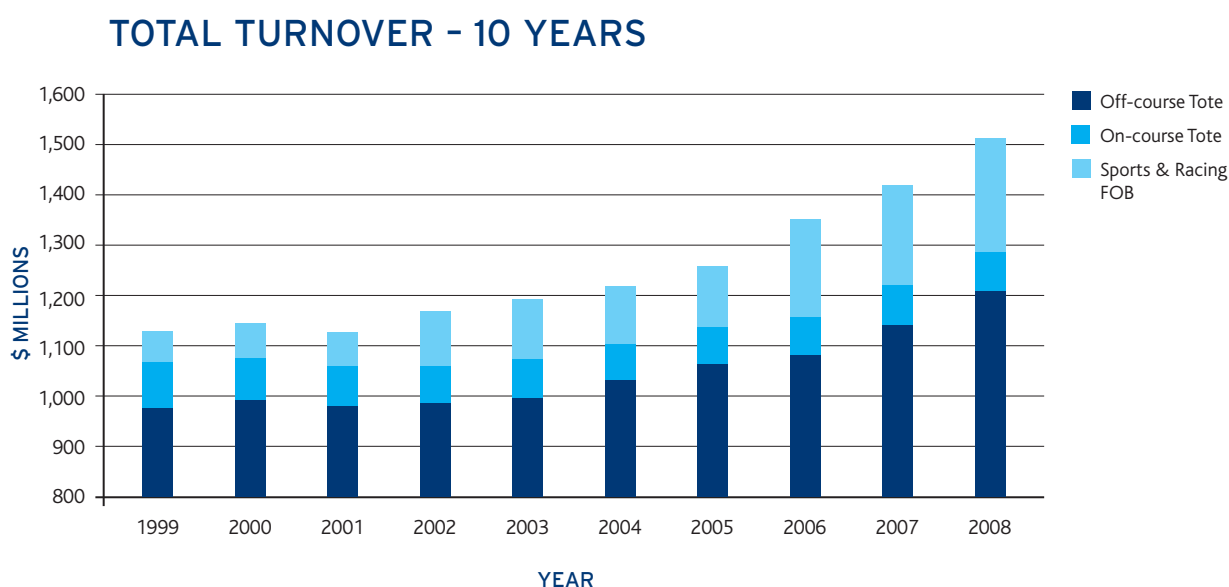




Key Highlights 2007/08

- › Turnover up 6.4 per cent on previous year to \$1.528 billion, breaking the \$1.5 billion level for the first time
- › \$119 million in Code funding distributions for the 2007/08 Season - \$4 million over and above the previously committed \$115 million
- › Since the New Zealand Racing Board's inception in the 2003/04 Season, the Board has achieved a \$44.8 million increase in annual operating earnings
- › Our new franchise events brand - Christmas at the Races - saw more than 52,000 race-goers celebrating the festive season Kiwi style at one of the 18 Christmas at the Races-branded race meetings around the country
- › It was the first year of the re-designed domestic racing calendar, which underwent significant changes as part of our new internationalisation programme
- › Australian punters spent around NZ\$500 million on New Zealand racing, almost NZ\$300 million more than was originally anticipated, which contributed an additional NZ\$8.5 million in revenue to the New Zealand racing industry
- › The New Zealand Racing Board invested more than \$13 million in six new outside broadcast vans
- › Six sporting bodies each received more than \$100,000 from us in the year ending 31 July 2008
- › Nearly \$20 million has been paid to New Zealand sporting bodies since sports betting was introduced in 1996
- › Quinella betting enjoyed phenomenal growth, up 15.3 per cent on the previous Season, following the lowering of the Quinella take out rate on 1 August 2007, bringing it into line with our Win and Place products
- › More than \$6 million was returned to punters through reduced take out rates for Quinella bets

- › We brought more international events to New Zealand - offered commingled pools on selected races from Dubai, the United Kingdom and the United States, including Royal Ascot in England and the famous Triple Crown in the US
- › Our Fixed Odds racing business continues to thrive. Increased options across the three Codes and greater customer demand led to a 28.6 per cent increase in Fixed Odds racing turnover
- › We applied to the Environmental Risk Management Authority for the conditional release (export and emergency use only) of the equine influenza vaccine ProteqFlu
- › Betting was available on a total of 30,548 domestic and international races during the 2007/08 Season, up 23.3 per cent from the previous year mainly due to 5,069 more races being imported from overseas
- › 184 New Zealand Racing Board Phonebet operators celebrated the completion of their National Certificate in Contact Centre Operations (Level 3)
- › Online wagering turnover was up 21.6 per cent and Touch Tone up 18.2 per cent on the previous year



About Us

The objectives of the New Zealand Racing Board are to:

- Promote the racing industry;
- Facilitate and promote racing and sports betting; and
- Maximise the long-term profits of the racing industry.

The New Zealand Racing Board is the organisation behind all racing and sports wagering in New Zealand. It was established under legislation – the Racing Act 2003 – and merged the previous Racing Industry Board and the TAB.

The New Zealand Racing Board is a leading business in the racing, entertainment and sporting fields. It has more than 100,000 TAB Account holders and a nationwide presence with 700 TAB stores and retail outlets across the country as well as telephone, Touch Tone, digital television and text betting. It also manages New Zealand's only global online betting service www.tab.co.nz.

The New Zealand Racing Board operates its own 24-hour television channel – Trackside Television (Channel 35 on SKY Digital and Channel 8 on SKY UHF) – as well as its own radio network – Radio Trackside.

The New Zealand Racing Board's operations are diverse and reflect the complexity and magnitude of the organisation and its reliance on technology and performance. Wagering is offered on 9,668 domestic races and 20,880 international races, imported from overseas on Trackside television and radio each year.

In 2004, the New Zealand Racing Board commissioned an independent, international, specialised research company to undertake a size and scope study of the New Zealand racing industry. This study found the New Zealand racing industry contributed \$1.4 billion each year, or 1.3 per cent, of New Zealand's total GDP in economic activity to New Zealand's economy at that time.

More than 40,000 people are involved in some capacity in supporting the racing industry in New Zealand. The industry generates more than \$680 million in salaries and wages each year from more than 18,000 full-time equivalent positions.

The study also found there are more than one million attendances at race meetings, and on-course spending exceeds \$54 million on non-wagering products such as travel, accommodation, food and beverages and fashion purchases.

Since its inception, the New Zealand Racing Board has delivered significantly increased funding to the Thoroughbred, Harness and Greyhound racing Codes. Funding distributions to the Codes have increased by more than \$40 million on an annualised basis since 2003/04.

This has been achieved while still making a substantial investment in infrastructure and industry initiatives that will strengthen vibrant local racing communities and provide future income-generating opportunities for the New Zealand racing industry.

Vision & Values

Our vision and values underpin the way we operate our business, and every individual within our business has a responsibility to apply each value in good measure to optimise our success.

Our vision is to lead New Zealand racing to deliver greater success and excitement.

OUR VALUES:

Innovation – look for new ways to advance, seek creative solutions, create opportunities and become more receptive to change.

Valuing People – recognise, retain, nurture and develop individuals in the organisation, work to individuals' strengths and serve as you wish to be served.

Dynamism – focus on change and move forward, think big, start small and scale fast.

Teamwork – combine our experience and skills by working together effectively and leverage these principal resources with effective communication.

Passion – have strong beliefs in the industry, be considerate and enthusiastic about your contribution and have fun in the workplace.

Integrity – have transparency of purpose, fulfil our social responsibilities and do the right thing all the time.



Chairman's Report 2008

The 2007/08 year has been another good year for the New Zealand Racing Board. Financially, it was a solid performance and there are many other achievements referred to throughout this report.

On behalf of the Board, I am pleased to report turnover increased 6.4 per cent for the 2007/08 year to \$1.528 billion. Operating surplus was \$130.9 million (including \$8.5 million for the 2007/08 year of full recovery of on-course services).

Since the New Zealand Racing Board's inception in the 2003/04 Season, the Board has achieved a significant uplift in performance – a \$44.8 million increase in annual operating earnings on a like for like basis.

The 2007/08 year is the first time turnover broke the \$1.5 billion barrier and it occurred despite our being some \$13 million behind budget after only two months of the Season when equine influenza hit Australia in August 2007.

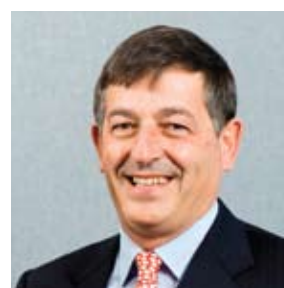
Much of our improved performance came off the back of internationalisation. Without internationalisation, the impact of the Australian equine influenza outbreak on New Zealand's turnover would have been much greater.

It should be noted that it was only possible for us to react immediately to the dramatic change in circumstances caused by the equine influenza outbreak because we had successfully set up the systems and built good working relationships and race day protocols with Australia. If we had not done this, we would have been unable to cope with the last-minute re-scheduling changes as the virus spread.

I would like to take this opportunity to acknowledge the many clubs throughout New Zealand that worked so well and so willingly with us to adjust their race times to accommodate the challenges caused by those traumatic events.

There is no doubt that the equine influenza outbreak in Australia was devastating. More than 8,000 properties were reported infected in New South Wales and Queensland within three months of the virus hitting their shores. Racing was shut down in those states for four months, which was estimated to cost Australia A\$400 million (NZ\$465 million) in lost betting turnover alone. The total cost to its economy was far larger.

The New Zealand Racing Board recognised some time ago, that if our industry was to prosper and fully leverage the stimulus provided by the tax cuts, we could no longer be just a simple, New Zealand-based domestic business. We had to enter the global market in search of new revenue opportunities. Giving our customers more choice in their punting activities was crucial to providing greater returns to the domestic industry participants, so we developed our internationalisation strategy.



Michael Stiassny
Chairman

In its first year, that strategy has already delivered results. By the end of the 2007/08 Season, Australian punters had spent around NZ\$500 million on New Zealand racing. That was almost NZ\$300 million more than was originally anticipated in our initial budgeting, mainly due to Australia taking more of our racing when its schedule was crippled due to equine influenza. This Australian turnover contributed an additional NZ\$8.5 million in revenue to the New Zealand racing industry – revenue that would not have occurred without internationalisation.

Central to this opportunity being realised was the industry's willingness to adopt a new racing calendar that saw significant change to historical racing patterns.

The 2007/08 year also saw us take racing and offer commingled pools on selected races from Dubai and the UK as well as the US, including the famous Triple Crown. We have also exported Friday night Harness racing to South Africa.

These are only the first steps along the way to the continued expansion of our international offering, which, of course, represents a significant opportunity to get New Zealand racing to the world, providing revenue opportunities and greater exposure for our breeding industries.

Since our balance date, we have also extended our trading hours to import more racing from Hong Kong, Singapore, South Africa and Australia.

The New Zealand Racing Board also continues to look for opportunities to increase returns to our TAB customers. On 1 August 2007, the Quinella take out rate was reduced, bringing it into line with our Win and Place products. This resulted in an additional \$6 million being returned to punters in the first year. This move also meant New Zealand now deducts the same take-out rate as Australia for its Win, Place and Quinella products.

In May 2008, the Minister for Racing Winston Peters announced a new Budget initiative for feature races in New Zealand. Budget 2008 made available \$9 million over the next three years for co-sponsorship arrangements that will see substantially higher prize money offered by the crème de la crème of New Zealand races.





In its first year for the 2008/09 Season, seven premier Harness races, four premier Thoroughbred races and four Greyhound races will all offer increased stakes. This means New Zealand hosted its first ever million-dollar Harness race with the \$1.2 million Christchurch Casino NZ Trotting Cup on 11 November 2008.

For Thoroughbreds, there will now be six marquee races that will offer stakes of more than \$1 million, including the \$2.2 million Telecom New Zealand Derby in February 2009. New Zealand also hosted its richest ever Greyhound race with the inaugural \$250,000 Gold Band Finance Platinum Paws in October 2008.

It was also the first year of the Minister's Racing Safety Development Fund. A total of 27 race clubs received \$793,800 funding in the first year to support racecourse safety projects. This fund offers up to \$1 million in dollar-for-dollar support each year for projects that improve the safety and therefore the quality of racecourse facilities around New Zealand.

The Rt Hon. Winston Peters drove these initiatives and I would like to extend my gratitude on behalf of the industry for this work and for his support of the racing industry during his three year term as Minister for Racing. A warm welcome is also extended to the incoming Minister, the Hon. John Carter.

During the year under review, the New Zealand Racing Board appointed Boardworks International (NZ) to undertake a performance and efficiency audit of the organisation in relation to how effectively and efficiently we are performing our statutory functions.

Under the Racing Act 2003, this audit is required to be conducted at least once every five years and this was the first audit conducted under the new legislation. The report from this audit, which is available on the New Zealand Racing Board website, was released in October 2008 and contained 15 recommendations. The New Zealand Racing Board is now reviewing these recommendations with a view to implementing them as quickly as possible.

The New Zealand Racing Board has continued to deliver increased funding to New Zealand sporting bodies and experienced strong turnover growth across the majority of sports on which betting was offered by New Zealand's TAB. Since sports betting began in June 1996, we have distributed nearly \$20 million to New Zealand sporting bodies as their share of the wagering activity on sports betting through the TAB.

In the year just ended, six sporting bodies each received more than \$100,000 from us. As we look to develop stronger relationships with the sporting bodies and continue to diversify the sports betting options currently available to customers, New Zealand sporting bodies can look forward to increased levy payments in the future.

Our increased focus on enriching the on-course experience for customers continues to pay dividends. New Zealand Racing Board-led initiatives such as big screen entertainment and the two successful franchise brands – Destination Summer Holiday Racing and Christmas at the Races – have further built on the resurgence in on-course attendance.

Since its inception, the New Zealand Racing Board has increased its distributions to the three racing Codes by more than \$40 million. For the Season ahead, we have indicated we will distribute \$129 million to the three racing Codes. That constitutes a 60 per cent growth in the distributions to Codes in just five years. While some of this growth has come from the tax benefits, we have also lowered the take-out rates

to give more back to our punters and make our wagering products more competitive internationally. The underlying operational growth of our business is significant. This is demonstrated by our top line growth in turnover of almost \$300 million in five years – from \$1.232 billion in 2003/04 to \$1.528 billion in the year under review.

The New Zealand Racing Board continues to strive to maintain best practice on anything to do with integrity. Integrity is so important for our brand, to make sure that people have confidence in our industry from a punter level and also from an industry perception point of view.

The Judicial Control Authority (JCA), which was established in 1996, is the legal body that administers the rules of racing and conducts inquiries into breaches of the rules, across the two Equine Racing Codes.

Under the Racing Act 2003, the Greyhound Code can also join the JCA, and we have agreement in principle for that to happen just as soon as the operational details have been worked through.

The Chair of the JCA is appointed by the Chairs of the Racing Board and the two Equine Codes. After John Grant's term expired at the end of the 2006/07 Season, we put in place an Acting Chair (Gerard Brown) to lead a review of the JCA's business in advance of appointing a new permanent Chair.

Following that review, we have now appointed a new Chair for the JCA – Ms Kristy McDonald QC. Kristy is based in Wellington and has extensive experience as a litigation lawyer. Congratulations to Kristy on her new role, which she commenced in early November 2008. We are looking forward to working with her.

There are a number of issues facing the New Zealand Racing Board and the racing industry itself going forward. These include, but are not limited to, Non-Contributing Bookmaking Operators, gaming machine funding, a fragile economy and the threat of a biosecurity crisis in our country.

Non-Contributing Bookmaking Operators are betting or bookmaking operators based offshore that offer wagering on our product but make little or no contribution back into our racing or the New Zealand economy through duties and taxes.

The reality facing the industry is that the New Zealand Racing Board does not have a monopoly online – the internet is relatively borderless and unregulated.

Recent research commissioned by the New Zealand Racing Board indicates that as much as 20 per cent of the New Zealand gambling market expenditure is currently going offshore and, with the increasing expansion and penetration of the internet into New Zealand homes, this number is growing.

This is not just confined to wagering. More than \$350 million is spent on other forms of gambling offshore – mainly poker, lotteries, fantasy leagues, casino and skill games such as chess and scrabble.

With the strongest growth channel for the TAB currently being online, Non-Contributing Bookmaking Operators pose a significant threat to both our future growth and customer retention.





To combat this issue, the Board is looking at how we can compete in the international arena through better pricing, products and services.

Competing in this environment will require a mix of legislative change, competitive pricing, technology investment and global partnering. Several key initiatives have been developed and included in our three-year Business Plan to target this issue.

Grants from gaming machine trusts have become an integral component of funding for race clubs across the country. The level of club funding from these trusts across the three racing Codes in 2007/08 was about \$21 million.

In 2005, the Department of Internal Affairs did a study of where the gaming machine grants were being allocated. This study found that, of the total \$133 million given to all sports, about 8.3 per cent went to racing. This was roughly

the same level that was allocated to soccer and to cricket but was only about two-thirds of that given to rugby.

Our figures show that in 2007, the percentage allocated to racing was about 8.5 per cent, so effectively it has remained at the same proportion as three years previously.

It is also important to note that allocating gaming machine money towards stakes is an authorised purpose under the Gambling Act 2003. Grants properly applied to that purpose are legitimate and the industry should not be hesitant in defending that position.

Indeed, the clubs have a good case to make in protecting their position here.

Equine influenza remains a real threat to the New Zealand racing industry. It has been estimated that any outbreak of equine influenza in this country could cost up to \$150 million in lost turnover, for every three months the racing industry is forced to shut down. Following the outbreak in Australia last year, we have strengthened risk management and contingency plans.

We currently have an application pending with the Environmental Risk Management Authority (ERMA New Zealand) for the conditional release of the genetically modified equine influenza vaccine ProteqFlu. This vaccine, which was used in Australia to control and eradicate the virus, acts faster than other vaccines and also immunises against multiple strains of equine influenza. This vaccine is already approved

for use in the European Union, Canada and the US.

At the end of the 2007/08 financial year, the New Zealand Racing Board held equity of about \$103 million, net of the funds held in trust for account-holder deposits and betting vouchers.

This may seem like a lot of money, but these reserves will come under significant pressure in the coming Seasons as we look to make critical investments in our technology platform – especially our wagering system – and to invest in infrastructure across the industry to grow the supply of quality, consistent and safe racing products.

Given these sorts of challenges, management's performance is a critical factor in our well-being. I would like to extend my thanks to Chief Executive Graeme Hansen and his management team for their hard work and commitment to delivering on initiatives and helping to revitalise and grow our industry.

Graeme's original contract was for three years, at the end of which we agreed on a two-year extension to 31 July 2009. We want to ensure there is a planned and orderly changeover, so we have commenced a recruitment search for a new Chief Executive to replace Graeme by the end of this current Season.

I would also like to acknowledge all three Codes, particularly for their support and willingness to adopt a new racing calendar to maximise our returns from internationalisation.



During the year, Board members Warren Bell, Thayne Green and Alistair Sutherland completed their terms of office and were re-appointed for another three-year term by the Minister for Racing Winston Peters in August.

It would also be impossible to review the 2007/08 year without noting the loss of one of Harness racing's most respected administrators – John Penney, who passed away in May 2008 following a short illness. John's high standards, diplomacy and leadership will be greatly missed by the New Zealand racing industry.

Through July to September, atrocious weather conditions across the country, with record levels of rain, led to a number of race meetings being abandoned and

some dismal track conditions, which affected both race days and training preparations.

Looking ahead, it will be a challenging year owing to the current fragile nature of the New Zealand economy. Historically, any change in the Board's turnover has mirrored the change in household disposable income. Whilst some of our initiatives have cushioned these fluctuations in recent years, there is no question that our customer activity is closely linked to the state of the economy.

Needless to say, we are closely monitoring turnover and customer spending patterns as we are acutely aware of the threat to our performance from a sustained economic downturn.

Additionally, at the time of writing, governments across the world, including here in New Zealand, are introducing economic packages to combat the threats of a global financial crisis. Capital and trading markets are experiencing wide price fluctuations, and the repercussive effects will adversely affect many economies and industries, including ours.

The implications extend beyond the wagering turnover impacts as individuals' discretionary spending power is eroded. The availability of investment funds, and the willingness to commit risk capital, will also negatively impact on the wider racing and breeding industry. This, of course, could flow through to lower foal and pup crops, the consequences of which would be felt for Seasons ahead via reduced starter numbers.

The challenges facing us are, therefore, considerable. However, we will ensure we work in close partnership with the Codes, industry stakeholders and government to show leadership in building on our platform for growth.

Michael Stiassny
Chairman

Governance

This Governance Statement sets out the authority, responsibilities, membership and operation of the New Zealand Racing Board.

BOARD STRUCTURE AND COMPOSITION

The management of the business and affairs of the New Zealand Racing Board takes place under the direction of its governing body, the Board. Under section 11 of the Racing Act 2003, the Minister for Racing appoints a Board of seven, consisting of:

- an independent Chairperson;
- three members appointed on the nomination of each racing Code – one by each of New Zealand Thoroughbred Racing Inc, Harness Racing New Zealand Inc and the New Zealand Greyhound Racing Association (Inc); and
- three persons recommended by a nomination advisory panel consisting of the Minister, the Board Chairperson and the Chairpersons of the three racing Codes.

Board Members are appointed for terms not exceeding three years.

BOARD RESPONSIBILITIES

The Board is responsible for the overall direction and control of the New Zealand Racing Board's activities, and its key responsibilities are:

- establishing goals and strategies with associated business plans;
- monitoring performance against budget and other performance indicators;
- ensuring integrity and transparency in reporting;

- communicating with the racing Codes on a regular basis through Combined Racing Industry Group (CRIG) meetings, annual Statements of Intent, Annual Reports and other relevant reporting;
- implementing policies to enhance the New Zealand Racing Board's performance;
- identifying and managing business risks, including statutory compliance;
- ensuring appropriate internal controls and the quality and independence of the external audit function;
- monitoring management and its performance, including Chief Executive appointment, review, development, succession planning and delegations; and
- fostering an organisational culture that requires Board Members, management and every staff member to adhere to high standards of ethics and corporate behaviour.

The Board delegates certain responsibilities to the Chief Executive and to Committees of the Board.

In accordance with section 19 of the Racing Act 2003, the Board submits a Statement of Intent for the coming financial year, setting out the New Zealand Racing Board's overall objectives, intentions and financial and performance targets. After due consultation with recognised industry organisations, the finalised Statement of Intent is presented to the House of Representatives.

BOARD PROCESSES

The Board met nine times during the year to 31 July 2008. Policies are in place to ensure meetings are subject to formal agendas and reporting procedures. Meeting agendas are prepared by the Chief Executive in conjunction with the Chairperson, with papers circulated in advance of the meetings.

The New Zealand Racing Board maintains an Interests Register in which the interests of its members are recorded. Members are expected to manage any conflicts of interest responsibly and to act ethically and in a manner consistent with the values of the New Zealand Racing Board and its objectives. These objectives, as set out in section 8 of the Racing Act 2003, are:

- to promote the racing industry;
- to facilitate and promote race betting and sports betting; and
- to maximise its profits for the long-term benefit of New Zealand racing.

BOARD COMMITTEES

The Board has formally constituted three Board committees – the Dates Committee, the Audit and Finance Committee and the Compensation and Development Committee. These committees support the Board by considering relevant issues at a suitably detailed level and reporting back to the Board.

All committees have written Charters setting out their roles and responsibilities, membership, functions, reporting procedures and the manner in which they are to operate. Matters considered by the committees are reported back to the Board as recommendations, except where specific decision-making authority has been delegated by the Board. The structure and membership of each committee are reviewed annually.

DATES COMMITTEE

The Dates Committee is established in accordance with section 42 of the Racing Act 2003, which requires the committee to determine, following consultation with each of the recognised industry organisations:

- all of the dates in the subsequent racing year on which domestic betting races will occur;
- the allocation of those dates among racing clubs; and
- any conditions of allocation.

The committee consists of Julie Crengle (Chairperson), Thayne Green, Ray O'Connor, Michael Stiassny and Alistair Sutherland.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee assists the Board in discharging its responsibilities with respect to financial reporting and the risk management practices of the New Zealand Racing Board, the work and performance of the internal audit

function and the New Zealand Racing Board's external auditor, Deloitte.

The committee meets at least four times a year and consists of Warren Bell (Chairperson), Julie Crengle, Ray O'Connor and Michael Stiassny.

The New Zealand Racing Board manages risk through regular reviews of its policies, systems and practices, and focuses on ensuring the required culture and practices are in place across the business. The Board of the New Zealand Racing Board has the ultimate responsibility for reviewing all aspects of financial and operational risk management.

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, systems or from external events. Examples include failure to comply with policy and legislation, human error, natural disasters and fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

The New Zealand Racing Board's internal audit function conducts independent reviews that assist the Board and management to meet their statutory and other obligations. The internal audit function is part of the Risk, Legal and Audit area, which has reporting lines to both management (the Chief Operating Officer and the Chief Executive) and the Chair of the Audit and Finance Committee.

The internal audit function conducts or oversees independent appraisals of:

- the continued operation and effectiveness of the internal controls in place to safeguard and monitor all material risks to the New Zealand Racing Board;
- the completeness and accuracy of the financial and other records of the New Zealand Racing Board;
- compliance with Board policies and management directives;
- the economic and efficient management of resources; and
- the effectiveness of operations undertaken by the New Zealand Racing Board.

In performing this role, the internal audit function adopts a risk-based approach and a Strategic Audit Plan is prepared annually covering each business area of the New Zealand Racing Board, with greater emphasis placed on those areas where the highest risk exists. The plan is approved by the Audit and Finance Committee.

COMPENSATION AND DEVELOPMENT COMMITTEE

The Compensation and Development Committee's purpose is to monitor issues and determine policies and practices related to the remuneration and review of the Chief Executive and the Senior Executive Committee, as well as overseeing management development and succession planning processes. The committee consists of Thayne Green (Chairperson), Liz Dawson, Michael Stiassny and Alistair Sutherland.

Governance

Board Members



Photo Caption: The Board Members of the New Zealand Racing Board (from left) Warren Bell, Ray O'Connor, Liz Dawson, Michael Stiassny (Chair), Julie Crengle, Thayne Green and Alistair Sutherland

Michael Stiassny (Independent Chair), BCom, LLB, CA, is the senior partner of KordaMentha in Auckland. He is a chartered accountant and lawyer with more than 25 years' experience in insolvency, investigative accounting work, company restructuring, due diligence and the provision of strategic financial and management consulting advice. He is a director of a number of public and private companies, and Chair of Vector Ltd. He is also a Fellow of the Institute of Directors (Finstd) and Auckland Branch Committee Member for the Institute of Directors. Michael was appointed as New Zealand Racing Board Chair in January 2007.

Warren Bell (Independent Member), MCom, CA, is a former senior partner in chartered accountancy firm Deloitte, with considerable experience in corporate mergers and acquisitions, auditing and company valuations. He was appointed to the Board on 14 March 2006. Warren has considerable directorship experience, including Chair of Hallenstein Glassons Holdings Ltd and the Alto-Vertex group of companies. Warren was Chair of PDL Holdings Ltd and is a director of a number of private companies and district council businesses.

Julie Crengle (Independent Member), BCA, LLB (Hons), is a barrister and solicitor with trans-Tasman experience. She was appointed to the Board on 1 August 2003. Julie is a partner of Wellington-based law firm Crengle, Shreves and Ratner, which specialises in corporate, commercial and securities law. She has previously acted on the formation of the NRL, and on the privatisation and flotation of, and launch of pay racing television by, TAB Ltd (NSW).

Liz Dawson (Independent Member), BCom, has more than 15 years' experience in professional sports administration and marketing with the New Zealand Rugby Union, the Warriors, the Hurricanes and the successful Rugby World Cup 2011 bid. She was appointed to the Board on 1 August 2007. She also has a significant level of retail marketing and corporate management experience.

Thayne Green (Greyhound Code Nominee), has widespread racing administration experience and ownership in all three racing Codes. He was appointed to the Board on 1 August 2003. Thayne has represented the Greyhound Code on the Racing Industry Board, the Racing Authority and the TAB and is a former President of the Auckland Greyhound Racing Club. He is now retired but previously held positions in the hospitality, motor and transport industries.

Ray O'Connor (Harness Code Nominee), is a senior partner in the Te Awamutu accounting practice of Kelly and Bryant. He was appointed to the Board on 1 December 2006. Ray is a chartered accountant and also holds a Certificate of Public Practice. Ray has more than 30 years' involvement in racing and is a member and former President of the Cambridge/Te Awamutu Harness Club. He is Chair of Cambridge Raceway. Ray was elected to the Harness Racing New Zealand Board in 1999 and is currently the Treasurer.

Alistair Sutherland (Thoroughbred Code Nominee), BA, LLB, is a former Chair and Managing Director of Philips NZ Ltd and has held senior international roles with TMP Worldwide/Morgan & Banks and Magnum Corporation. He was appointed to the Board on 14 March 2006. Alistair is an experienced company director, having held directorships of various private and public companies. He has significant experience in racing administration, including previous service on the Racing Industry Board and the TAB. Alistair currently serves on the Boards of New Zealand Thoroughbred Racing and the Auckland Racing Club.

Board Members and Remuneration

Year ended 31 July 2008

Board Member	Total Member Remuneration (\$)	Board Meetings	Audit & Finance Committee	Dates Committee	Compensation & Development Committee
Michael Stiasny	57,500	9*	4	3	3
Warren Bell	35,000	9	4*	-	-
Julie Crengle	40,000	9	4	4*	-
Liz Dawson	32,000	9		-	3
Thayne Green	40,000	9	-	4	3*
Ray O'Connor	37,000	8	4	4	-
Alistair Sutherland	37,000	9	-	4	3
	\$278,500	9	4	4	3

An asterisk denotes Chairperson of the committee.

BOARD MEMBERS' INTERESTS REGISTER

Michael Stiasny (Chairman)

KordaMentha, Partner
Vector Ltd, Chairman
Gadol Corporation Ltd, Director

Warren Bell

No applicable interests to declare

Julie Crengle

Crengle, Shreves and Ratner (Law Firm), Partner

Liz Dawson

Hurricanes Ltd, Director
Wellington Regional Trust Stadium, Trustee
Liz Dawson & Associates Ltd, Director

Thayne Green

No applicable interests to declare

Ray O'Connor

Harness Racing New Zealand, Treasurer
Cambridge Raceway Ltd, Chairman
Cambridge – Te Awamutu Harness Racing Club, Executive Director
Waipa Workingmen's Club (holder of a TAB Licence), Secretary

Alistair Sutherland

New Zealand Thoroughbred Racing, Director
Auckland Racing Club, Director
Bond St Investments No2 Ltd, Director
Sutherland Trustees Ltd, Sole Director

Governance

Responsible Gambling

The New Zealand Racing Board has a statutory requirement under the Racing and Gambling Acts to take proactive measures to minimise the harm of problem gambling and is required to report on programmes relating to problem gambling, to provide information and advice on problem gambling and to provide problem gambling training.

FOCUS ON HARM PREVENTION

We have taken measures during the year to ensure compliance with the regulations and ensure that TAB stores are up to the required standards of our policies with respect to providing training and following appropriate compliance procedures.

During the 2007/08 year, the investment in responsible gambling measures by the New Zealand Racing Board was \$1.63 million. Of this, approximately \$1.5 million was paid to the Crown to recover the costs of the Ministry of Health's problem gambling strategy.

The New Zealand Racing Board is committed to the Ministry of Health's strategies and programmes in this area and this is illustrated by our representation and participation in the Expert Advisory Group established jointly by the Department of Internal Affairs and Ministry of Health. This is an important opportunity to contribute along with other industry providers and parties to the discussion on key issues within our sector from a harm prevention and minimisation perspective. The New Zealand Racing Board also maintains strong relationships

with government officials as well as working alongside problem gambling support agencies to better understand customers' needs.

Approximately \$160,000 was predominantly invested in the provision of training on harm prevention and minimisation to staff in customer roles within the New Zealand Racing Board and the wider racing industry, to ensure a leadership position is taken with this key responsibility.

It is a requirement in our Retail Agency Contracts that all TAB store management staff and those who may be in a 'sole operator' position, undertake appropriate problem gambling training to help achieve our responsibilities around harm minimisation.

The current approach is that this training is conducted via classroom-based face-to-face training and is undertaken at regional centres by appropriate external facilitators, on a regular basis. During the full 2007/08 year, more than 800 TAB operators participated in, and passed, problem gambling training.

The New Zealand Racing Board has developed both proactive and reactive

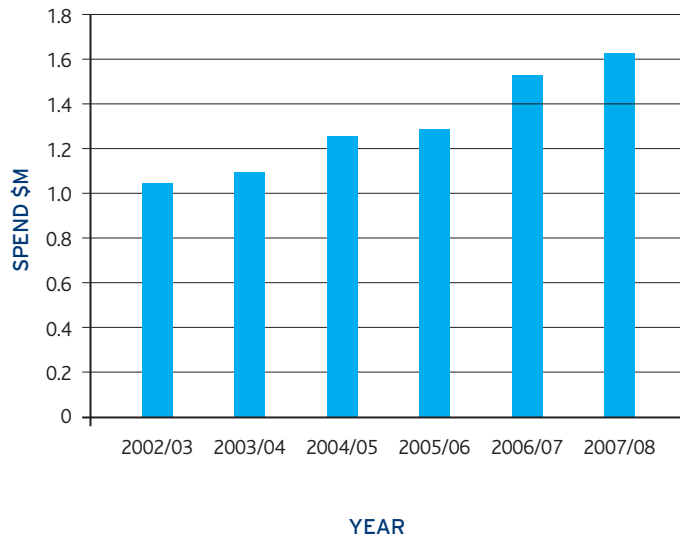
approaches to the identification and investigation of potential problem gambling situations.

In addition to situations where customers directly contact us and request that they be excluded from holding a TAB Account or placing a bet at a TAB store, we rely on the training of our TAB operators to identify and report to us for further investigation any incidents of potential problem gambling behaviour. Further, we run a number of exception reports aimed at identifying significant changes in account customers' betting behaviour.

In the 2007/08 year, we investigated approximately 100 potential problem gambling incidents, which resulted in 37 customer exclusion notices being issued and a further seven account customers placed on the 'Set Your Limits' betting restriction programme. These numbers represent an extremely small percentage of our customer base.

Since the introduction of the Racing Act 2003, we have acted on 83 customer requests for self-exclusion, plus we have excluded a further 15 customers who we determined to be at risk.

HARM PREVENTION AND MINIMISATION SPEND



SET YOUR LIMITS PROGRAMME

The 'Set Your Limits' programme is available to TAB Account holders. A TAB Account customer can request the New Zealand Racing Board to place a weekly limit on their betting activity through their account. The limitations on betting activity can be either a request to place a limit on the amount of money spent through the account each week, or a request to place a limit on the level of loss through the account. Once the agreed limit has been reached, no further bets are accepted on the nominated account for that week.

The programme assists customers who wish to control their gambling by setting either (or both) a maximum amount of money lost or spent on a per week basis. Changes to the limits, as initially agreed, can only be made after consultation with the New Zealand Racing Board.

To date we have seven customers who have availed themselves of this programme, and the feedback from them has been very positive, in that it provides them with a practical option to put in place an overriding control on their wagering spending.

Don't lose sight of your limits.

Bet responsibly.

IF YOU THINK YOU, OR SOMEONE YOU KNOW, MAY HAVE A PROBLEM THERE IS HELP AVAILABLE THROUGH A RANGE OF SUPPORT AND COUNSELLING SERVICES.

FOR MORE INFORMATION CALL THE GAMBLING HELPLINE ON 0800 654 655 OR GO TO WWW.GAMBLINGPROBLEM.CO.NZ

NEW ZEALAND RACING BOARD
ESTABLISHED 1982

TAB
betting

Chief Executive's Review 2008

It was another watershed year for the New Zealand Racing Board. Record wagering turnover, strong returns from our new internationalisation programme and continued growth across our domestic business streams all helped to deliver financial growth and increased industry distributions.

These successes were achieved while still committing significant investments in capital and operating expenditure for industry initiatives and growth programmes designed to enhance long-term prosperity.

This Annual Report marks five years since the New Zealand Racing Board was established on 1 August 2003 from the merger of the previous Racing Industry Board and the TAB. Reflecting back on those five years, it is clear that much has been achieved. We have increased our annual turnover by close to \$300 million – from \$1.232 billion in 2003/04 to \$1.528 billion in 2007/08. After a period of long-term decline, on-course turnover has increased 8.6 per cent, or \$6 million, in the past five years and has now climbed back through the \$80 million threshold.

Funding distributions to the three racing Codes have increased significantly to \$119 million in the Season under review, which has delivered real benefit to the industry.

The highlights for the year under review alone have been considerable:

- Total turnover exceeded \$1.5 billion for the first time, up 6.4 per cent on the previous year with growth across the board – on-course, off-course and Fixed Odds racing and sports betting.
- Betting was available on a total of 30,548 domestic and international races during the 2007/08 Season, up 23.3 per cent from the previous year mainly owing to 5,069 more races being imported from overseas.
- Domestic tote turnover had another good year of growth and reached \$852 million, up 2.2 per cent on the previous Season.
- It was the first year of the re-designed domestic racing calendar, which underwent significant changes as part of our new internationalisation programme.
- Quinella betting enjoyed phenomenal growth, up 15.3 per cent on the previous Season, following the lowering of the Quinella take-out rate on 1 August 2007, bringing it into line with our Win and Place products.



Graeme Hansen
Chief Executive



- Our Fixed Odds racing business continues to thrive. Increased options across the three Codes and greater customer demand led to a 28.6 per cent increase in Fixed Odds racing turnover. In two short years, Fixed Odds racing turnover has increased a massive 60 per cent.
- Multi bet sales have continued to increase, with racing Multi sales up 18.5 per cent on the previous Season.
- Total sports betting turnover was \$137.9 million, up 4.9 per cent on the previous year, and was the second highest turnover on record despite the early exit of the All Blacks from the 2007 Rugby World Cup.

NEW REPORTING STANDARDS

This Annual Report is bigger than those printed in previous years due to the New Zealand Racing Board adopting the required New Zealand International Financial Reporting Systems (NZ IFRS).

ON-COURSE

One of the highlights of the Season under review was the launch of our new franchise event brand – Christmas at the Races. This programme proved to be enormously successful in its inaugural Season. More than 52,000 race-goers celebrated the festive season Kiwi style at one of the 18 Christmas at the Races-branded events around the country. This helped to stimulate a 105 per cent growth in on-course attendance, and a 34 per cent increase in on-course turnover, at those events.

Looking ahead, the number of Christmas at the Races events is set to more than double to 38 events across the country for the 2008/09 Season. The Destination Summer Holiday Racing programme, now in its fourth year, is also experiencing excellent growth, with 40 race clubs through the country expected to host events this summer, up from the previous year's 29 events. The programme will also be re-branded for the 2008/09 Season to 'Summer Festival' to ensure the programme remains relevant in the marketplace and to maximise engagement and relationship with the target market.

STRONG CHANNEL GROWTH

Our online wagering channel, www.tab.co.nz, and Touch Tone betting continue to be strong performers. Online wagering turnover was up 21.6 per cent and Touch Tone was up 18.2 per cent on the previous year. In five years, total turnover via the internet has grown by 139.1 per cent and Touch Tone by 95.9 per cent.

The TAB website has an average of 26,000 visits each day, with a typical customer spending about 25 minutes on the site. In late 2008, a new-look www.tab.co.nz website will be launched with new features and improved customer access to account information. This overhaul is long overdue and we expect it will be well received by our customers.

There was also good growth in our 'bricks and mortar' network of retail and social outlets. This means we are now seeing the benefit of the work done to redress the points of representation for our brand, which is critical in terms of engaging the next generation of customers.

In terms of Phonebet, 184 New Zealand Racing Board Phonebet operators celebrated the completion of their



National Certificates in Contact Centre Operations (Level 3) in February. The certificate involved a six-month work-based training programme and a further 50 staff have registered their interest in gaining the qualification in the year ahead.

We have also committed capital expenditure to upgrade our Phonebet telephone systems.

MANAGING THE IMPACT OF EQUINE INFLUENZA

In June 2008, the New Zealand Racing Board, together with the New Zealand Equine Health Association, submitted an application to the Environmental Risk Management Authority (ERMA New Zealand), around the conditional release of the genetically modified equine influenza vaccine, ProteqFlu.

ProteqFlu is the equine influenza vaccine of choice internationally as it gives a much faster onset of immunity compared to other vaccines. It was registered and used to control the spread of, and eventually eradicate, last Season's equine influenza virus in Australia.

The aim of our application was to minimise the short and long-term impacts the equine influenza virus could have on the New Zealand equine community, local businesses and the New Zealand economy.

In order to minimise the impacts of any equine influenza outbreak, it is important that we register in advance – and have the ability to use in the event of an emergency – the most effective vaccine in terms of acting the fastest and immunising against multiple strains of the virus.

Public submissions on the application closed on 29 July 2008 and a public hearing was held on 7 October. At the time of writing this report, ERMA had not released its decision on our application.

In the year under review, the New Zealand Racing Board spent more than \$1 million in preparing to combat a possible incursion of equine influenza here. This included a contribution to the New Zealand Equine Health Association's one-off costs in its efforts to prevent and/or prepare for an equine influenza incursion. It also included a \$630,000 'insurance premium', which involved the Board stockpiling 70,000 doses of the equine influenza vaccine Prequenza to ensure we would have sufficient supply on hand if the disease did strike here.

This was in addition to the stockpile of 50,000 doses the Ministry of Agriculture and Forestry had arranged. The combined total of 120,000 doses on hand meant we could have – in need – immediately vaccinated about 40,000 horses, as each horse would have initially required two doses of the vaccine and a subsequent booster.

RESEARCH AND DEVELOPMENT

The New Zealand Racing Board is now two years into its partnership with Massey University around research and development to support the New Zealand equine industry. There are currently a number of critical research projects underway that will deliver real benefits to the industry, across breeds, Codes and geographical areas. The

committed expenditure of these projects is in excess of \$1 million.

The Partnership for Excellence projects are primarily directed towards the animal health, welfare and production priorities of the racing industry. Current projects underway include investigating causes of foal wastage and the effects of early exercise on racing success and longevity. More information is available on www.equinetrust.org.nz.

Additionally, the New Zealand Racing Board works closely with the Equine Health Association and is currently liaising with other constituent organisations to strengthen the Equine Health Association's role and to increase the funding available to the Equine Health Association in its critical function in equine biosecurity matters.

SUPPLY CHAIN WASTAGE

In November 2007, the New Zealand Racing Board commissioned a study into supply chain wastage to cover all three Codes. Supply chain wastage is a 'catch-all' phrase for the number of animals bred for racing that fail to race or to participate to their full potential.

Findings from this study for the Thoroughbred and Harness Codes should be of great concern to the industry. The significant decline in the foal crops experienced by both Codes over the past five years will progressively cause a reduction in the number of race starters, which will impact on average field sizes and/or the number of races run. This will, in turn, negatively impact on wagering turnover and thus returns to the industry.

This study also looked at a range of initiatives that have the potential to increase total annual starts to counter this decline. Initiatives broadly fall into two categories – those that increase starter numbers and those that increase the number of starts per starter.



The findings of this study for the Thoroughbred and Harness Codes have been presented to some key stakeholders and are now being communicated via the Codes to their clubs and members. The review of the Greyhound supply chain is currently underway and will be completed over the next few months.

FUTURE EXPANSION

The New Zealand Racing Board's Strategic Plan for the next three years focuses on the dual responsibilities of income generation and industry governance.

Within each area are key strategic priorities; and within each of those are specific initiatives or work pieces.

Under Income Generation there are four key priorities:

- Wagering & Broadcasting.
- Distribution (Selling Channels).
- Brand & Customers.
- Platform (Technology & People).

Under Governance our two key priorities are:

- Integrity.
- Infrastructure.

Under Wagering & Broadcasting, we will continue the roll-out of our internationalisation programme beyond Australia. Other specific initiatives will concentrate on the opportunities through non-traditional wagering products. These steps are all part of the battle to prosper in an increasingly competitive environment where customer acquisition and retention are becoming progressively more difficult. In early 2009, two new bet types – First4 and Quaddie (Pick4) – are due to come online.

Last November, the New Zealand Racing Board commissioned six new outside broadcast vans at a cost of more than \$13 million. These units, which are now all fully operational, provide a far superior quality of picture and sound and allow for the transition to widescreen transmission in December 2008.

This crucial investment provides the platform to expand into other media opportunities such as live streaming and video on demand via the internet. We have begun conducting a trial with approximately 50 customers on video streaming. That trial will continue for a few more months before we look to how it will be introduced to the best effect.

Under Distribution, we are in the process of opening 10 new-look TAB outlets in Auckland. These are designed to be more attractive to a wider audience and to help change overall perceptions of the TAB brand. It is time to inject some new energy into the TAB 'bricks and mortar' network, so the new layout of these stores features things like designated theatre zones with soft seating and coffee lounges.

In the year under review, we focused heavily on improving our Customer Service Centre capabilities. We have made huge strides in that area in the past 12 months, thanks to a dedicated exercise to introduce new procedures, disciplines and monitoring measures.

It is important to stress we are not stopping there and, of course, we will continue to strive to improve our service to customers.



In terms of integrity, as mentioned in the Chairman's report, during the year under review, we tasked the Acting Chair of the JCA (Gerard Brown) to lead a review of the JCA's business. The recommendations from this review were to make changes to its mode of operation, infrastructure and resources and the roles of its judicial committees. This was to assist the JCA to deliver a 'best-practice' judicial system in racing. The review also considered the appropriate level of funding to sustain a best-practice model.

At management level, we are also working with the Codes on another important integrity front. We are looking to establish and implement a tri-Code Shared Services Model, which would align many of the integrity-related functions across the industry. This would involve establishing agreed protocols, standards and operational criteria around things like race day operations, betting compliance, drug testing and swabbing, industry policy and training and development.

As for Platform and Infrastructure, key initiatives under these two areas are covered in the following comments on our balance sheet reserves.

RESERVES

As mentioned in the Chairman's report, the New Zealand Racing Board currently holds net equity of around \$103 million, with approximately \$80 million of this as cash or investments. Of this, approximately \$30-40 million has been earmarked for our technology modernisation programme. Our technology platform is in serious need of investment. This investment is critical to ensuring that our wagering transactions, and indeed all our broad span of activities, continue to be delivered on a stable and secure systems platform.

To improve the continuity of Thoroughbred racing product through the winter months, the New Zealand Racing Board has also partitioned more than \$20 million for investment in synthetic tracks. This will involve initially laying one track at Matamata then reviewing its progress with the potential for up to three more synthetic tracks across the country.

A joint New Zealand Racing Board and New Zealand Thoroughbred Racing Project Steering Committee, in conjunction with Racing Victoria Ltd, is overseeing the Matamata track development and requests for proposals have now gone

out to design consultancies. It is expected that work will begin on laying the new track in late 2008 with a view to racing commencing in the second quarter of 2009.

Periodically, the New Zealand Racing Board also provides bridging finance facilities, such as for the New Zealand Metropolitan Club's current project to move and upgrade its stables at Addington.

We also obviously have to be financially prudent in case a major crisis like equine influenza interrupts our business and threatens the industry's well-being.

We all know an event such as this would have severe financial impacts on our industry, but we have to give the stakeholders confidence going forward that we have the capacity to endure. The sufficiency of our reserves is, therefore, a matter of ongoing management.

FUNDING THE INDUSTRY

In the year under review, the New Zealand Racing Board distributed \$119 million to the three racing Codes. For the current financial year (1 August 2008 to 31 July 2009), we have indicated we will distribute \$129 million.

This \$129 million is what will be left over after we have paid out the dividends on winning tickets, paid government duty and taxes and covered the costs of running the TAB and the New Zealand Racing Board.

This money is the major source of revenue for Code and racing club activities. The principal cost to racing clubs is stakes money and the racing clubs need to have some certainty they will receive funding to cover these stakes so they can communicate them to the industry. In turn, owners and trainers need to know the race programmes and stakes many months in advance so they can set their horses' preparations accordingly.

The New Zealand racing industry has a huge reliance on the flow of revenue that stems from the domestic racing calendar, which is set by the New Zealand Racing Board, and the wagering on that calendar.

MOVING FORWARD

Our Chairman has already referred to the performance and efficiency audit undertaken during the year. Under the Racing Act 2003, this audit is required to be conducted at least once every five years and this was the first audit conducted under the new legislation. The report from this audit measured the considerable progress made by the business and the industry since the inception of the New Zealand Racing Board.

We have to continue to build – without distraction – on the progress to date. Even though significant improvement has been achieved, we cannot afford to be complacent. We must continue to up the ante.

Having built a stronger operating platform over the past five years, we are now better positioned to take further steps in improving our communications with, and accessibility to, key industry participants. In that regard, a case can be made for

the industry governing bodies (ourselves and the Codes) to be located near one of the key hubs of the industry we represent. A location such as South Auckland is near the powerhouse of the Thoroughbred racing industry – the Waikato – and also close to key Harness and Greyhound facilities, as well as a wider population base for attracting skilled personnel. Likewise, the New Zealand Racing Board national and regional offices are currently based in stand-alone premises, whilst available racecourse facilities are under-utilised. There is a need to improve the utilisation of industry assets, and the relocation of some administrative centres to existing racecourse venues would set an example to the wider industry to make more effective use of its infrastructure.

I would like to thank the senior management team and the staff for their support and for their professionalism, hard work and dedication to growing our industry. They have risen to face every challenge presented to them head on and have been integral to many of the achievements highlighted in this Annual Report.

The year under review was even more challenging than just the twin demands of continued growth and change for further improvement in the future. We also wrestled with a biosecurity threat with the equine influenza outbreak in Australia, which placed considerable added demands and stress on the business.

Our employees rolled up their sleeves and just got on with it, putting in some incredibly long hours at the time as we managed our way through this intense and difficult period. I remain appreciative of, and impressed by, those outstanding efforts.

The 2008/09 Season has already presented a new set of hurdles, with atrocious weather conditions causing many meetings to be abandoned and also affecting field sizes. This, combined with the dramatic economic downturn,



has resulted in turnover being eight percent, or some \$32 million, behind budget at the end of the first quarter. A straight comparison with last year's actuals is muddled by the Australian equine influenza impacts. In budget terms, though, the new Season has got off to a similarly poor start as 2007/08. But, last Season we were able to recover off the back of a buoyant economy. A repeat of such a recovery appears unlikely in the current economic climate, in which case future funding and stakes levels could well be threatened.

So, again, the business is being sorely challenged as we start out on a new Season. The groundwork that has been laid over the last five years will help as we respond to these demands whilst also continuing to invest in the future. Closer working relationships with the Codes will be critical in this regard and we look forward to building the relationships that have been established with the Code chief executives and their teams.

Graeme Hansen
Chief Executive

Our People

The complexity and magnitude of our organisation and its reliance on technology and performance requires us to constantly re-evaluate our operations. With this comes a responsibility to provide our employees with a safe and encouraging working environment as well as fostering our organisation's commitment to lead New Zealand racing to deliver greater success and excitement.

EMPLOYEE DEVELOPMENT

Developing the skills and knowledge of our employees continues to be a major focus of the New Zealand Racing Board, highlighted by the fact that 184 Phonebet operators completed their National Certificate in Contact Centre Operations (Level 3) in the year under review. It was the first time the New Zealand Racing Board had offered employees the chance to complete this qualification. The success of the initiative has led to a further 50 employees registering their interest to gain the qualification in the 2008/09 year.

Looking ahead, qualifications are currently being developed for implementation across Broadcasting, Racing and Wagering and Distribution in the 2008/09 year.

Management continued to be encouraged to extend their working knowledge of 'behind the scenes' activities through the New Zealand Racing Board's industry familiarisation initiative. The programme involves selected staff spending a week away from their desks getting back to basics by working with trainers, stable hands and others at the coal face of racing and breeding in the Waikato.

HEALTH AND WELLBEING

The New Zealand Racing Board remains committed to providing a healthy and safe working environment. We continue to provide annual flu vaccinations and a subsidised health insurance scheme.

We also promote social functions and events for our employees. In November 2007, a team of New Zealand Racing Board cyclists took part in the Lake Taupo Cycle Challenge, collectively riding 640km. This event has become an annual highlight on the employee calendar attracting cycling enthusiasts from across the organisation.

In March 2008, the New Zealand Racing Board cricket team travelled to Brisbane to compete in a tournament against our Australian counterparts – Tabcorp and UNiTAB.

Despite being knocked out in the semi-finals by eventual champions New South Wales, the team is planning to return for another attempt at the title in 2009 before potentially playing host to the tournament in 2010. These trips are funded in part through the New Zealand Racing Board's employee sponsorship programme.





GRADUATE DEVELOPMENT PROGRAMME

The first recruits of the graduate development programme have successfully transitioned into their permanent roles with the New Zealand Racing Board, since joining the organisation in January 2007. Two new graduates were also welcomed in the year under review. There was no formal graduate intake in January 2008. Instead we are encouraging graduates to review our vacancies regularly and to send their curriculum vitae to the New Zealand Racing Board when they identify an opportunity they would like to pursue.

HUMAN RESOURCES

The New Zealand Racing Board also made major improvements to our Human Resources reporting and administration processes, moving to an enhanced Human Resources information system in the year under review. These improvements have streamlined our human resources functions and have helped to make the organisation more efficient and cost-effective. Further work is planned to continue to improve our systems going forward.

TRAILBLAZERS

Each year, the New Zealand Racing Board holds the Trailblazer Awards, which recognise employees' commitment to the New Zealand Racing Board values of Dynamism, Innovation, Integrity, Passion, Valuing People and Teamwork. The 2008 Awards proved hugely successful with 220 nominations received across the six categories. This was the biggest response yet, compared to 115 nominations the previous year and 83 nominations in 2006. Dinah MacDougall, the receptionist at national office, won the most supported category – Valuing People.



Employees and Remuneration

Year ended 31 July 2008

	As at 31/7/2008	As at 31/7/2007
The New Zealand Racing Board employed the following staff:		
Salaried full-time employees	310	244
Phonebet operators (rostered shift work)	279	258
Hourly rate staff – part time	157	134
– casual	59	28

A number of individuals employed by the New Zealand Racing Board received over \$100,000 in total remuneration including 'at risk' components, as explained below. For the full year ended 31 July 2008, the salary bands and number of employees within each band were as follows:

Total remuneration (\$'000)	No. of employees as at 31/7/2008	No. of employees as at 31/7/2007
100-110	7	10
110-120	4	2
120-130	5	3
130-140	6	5
140-150	2	3
150-160	4	-
160-170	2	1
170-180	-	1
180-190	1	2
200-210	2	-
210-220	-	1
220-230	1	1
230-240	-	1
240-250	1	-
270-280	-	1
280-290	1	-
300-310	-	1
360-370	1	-
501-550	1	1
	38	33

The remuneration of some employees includes an 'at risk' component, the payment of which is dependent upon the attainment of specific performance targets. The Compensation and Development Committee of the Board oversees (1) the level of remuneration, including any 'at risk' component, for senior management, (2) the annual establishment of performance targets and measures related to the 'at risk' component of senior management remuneration, (3) annual assessments of senior management performance against targets and measures and (4) recommendations to the full Board on the amounts of 'at risk' and components payable (if any) to individual senior managers. Such payments, although made after 31 July, are included in the total remuneration figures above. Readers should note that a number of staff in these bands were employed part way through the financial year. Therefore, future reporting will have changes in banding as full year remuneration is recognised.



Racing and Wagering Total racing turnover for the year ended 31 July 2008 was \$1.39 billion, up 6.6 per cent on the previous year and also slightly ahead of budget.



This turnover came from betting on a total of 30,548 domestic and international races. This is 23.3 per cent more than the previous year, mainly due to 5,069 more races being imported from overseas as part of the New Zealand Racing Board's internationalisation strategy.

More than 200 million bets in total were placed with the New Zealand TAB on races during the course of the year – a 10-year high for the business.

Fixed Odds betting on racing continues to be a strong area of growth, with turnover

up 28.6 per cent on the previous year, thanks to increased options across all three racing Codes and greater customer demand. In two short years, Fixed Odds betting turnover on racing has increased by 60 per cent.

The biggest event on the Australasian racing calendar – the Melbourne Cup Carnival – again proved popular with Kiwi punters who got behind the strong contingent of New Zealand bred, trained and owned horses participating in the Carnival. Turnover for Melbourne Cup Day alone was more than NZ\$17.2 million.

Racing and Wagering

The 2007/08 year saw coverage and commingled pools offered on selected races from Dubai and the UK as well as the US, including the famous Triple Crown. Friday night Harness racing has also been exported to South Africa.

For the first time, Kiwi punters were able to bet in a combined New Zealand, South African and Australian SuperTAB pool for all races at the Carnival apart from the Melbourne Cup itself, which was won by New Zealand-bred Efficient. The grey gelding made history that day by becoming the first horse since the legendary Phar Lap to win the Victoria Derby and the Melbourne Cup in successive years. Efficient was trained by trans-Tasman trainer Graeme Rogerson.

The New Zealand Cup and Show Week in Christchurch was one of the biggest events on the domestic racing calendar. The New Zealand Trotting Cup drew a record crowd of 26,000 people to Addington, with Flashing Red claiming

the honours for the second consecutive year in the big race – the Christchurch Casino New Zealand Trotting Cup.

Last year's pin-up Harness horse – Auckland Reactor – collected the NRM Stakes Final. One of the other major races of that week at Addington was the Southern Trust New Zealand Greyhound Cup, which was won by Winsome Daisy.

In terms of domestic Thoroughbred racing, the Mercedes Derby was claimed by C'est La Guerre in stunning style. He finished four lengths ahead of the rest of the field, the largest winning margin of the race in 10 years. The richest race for Thoroughbreds for the year under review – the Kelt Capital Stakes in October 2007 – was won by Princess Coup.

Since balance date, the talented mare has repeated that feat, winning the race for the second year running.

Quinella betting also enjoyed phenomenal growth during the year under review, up 15.3 per cent on the previous year. Much of this growth can be attributed to the lowering of the Quinella take-out rate on 1 August 2007, bringing it into line with Win and Place products. This resulted in an additional \$6 million being returned to punters in the first year. This move also meant New Zealand now deducts the same take-out rate as Australia for Win, Place and Quinella products.



Code Champions



Seachange THOROUGHBRED RACING

Six-year-old Cambridge mare Seachange received the accolade for Mercedes Horse of the Year for the second consecutive year following a successful season with Group 1 wins in the Mudgway PartsWorld and Stoney Bridge Stakes as well as the Telegraph Handicap and Waikato Draught Sprint.

Seachange started 28 times in her career for 14 victories. Seven of her wins were at Group 1 level, while she ran second four times in her career, all at the highest level. She was retired at the end of the 2007/08 Season.

Owner Karreman Bloodstock Ltd
Trainer Ralph Manning
Breeding Cape Cross (IRE)/Just Cruising (AUS)
Breeder Karreman Bloodstock Ltd



Auckland Reactor HARNESS RACING

Named 2007/08 Harness Horse of the Year, three-year-old Auckland Reactor won all of the 11 races in which he competed, including two Group 1 races – the Christian Cullen New Zealand Derby and the NRM Sires Stakes Final.

Auckland Reactor won the Christian Cullen Derby in a New Zealand record time of 3.09.4 minutes for mobile 2,600m – the second fastest time for that distance in the history of Harness racing.

Owner Auckland Reactor Ltd
Trainers Mark Purdon and Grant Payne
Breeding Mach Three (Canada) out of Atomic Lass (NZ)
Breeder Tony Parker




Pizza Girl GREYHOUND RACING

Named 2007/08 Greyhound of the Year, Australian-bred sprinter Pizza Girl's biggest victory for the year was the Group 2 Galaxy Sprint at Addington in November 2007.

Pizza Girl raced a total of 48 times during the course of the Season and picked up 33 wins and was placed on 10 occasions.

Owner Nebojsa Damjanovic (Australia)
Trainer John T McNerney
Breeding Big Daddy Cool (AUS)/Brooklyn Doll (AUS)
Breeder Glenn M Rounds, Victoria



Sports Wagering Total sports turnover for the year ended 31 July 2008 was \$137.9 million. This represented a \$6.4 million (4.9 per cent) growth on the previous year and was our second highest turnover year on record.

There were more than 8.6 million sports bets placed across more than 35,000 options on a variety of sports during the year under review.

Through our sports betting activities, the New Zealand Racing Board stimulates funding for 29 sporting bodies. In total, more than \$2.28 million was distributed from wagering during 2007/08. This brings the total levies paid to sporting bodies since the inception of sports betting to almost \$20 million.

The New Zealand Racing Board measures its customer base on a quarterly basis through AC Nielsen's Panorama omnibus survey. Last Season, the survey found that around 146,000 TAB sports customers had placed a sports bet during the year. Of these customers, 78.7 per cent were male, but the share of women sports bettors grew 1.2 per cent to 21.3 per cent – mainly due to more netball betting.

The 2007/08 Season included two key sporting events with the 2007 Rugby World Cup hosted by France and Euro 2008 hosted by Austria and Switzerland. Tournaments of this level are a great way to bring new customers on board.

Rugby Union turnover for the Season was well short of the budget. The All Blacks not progressing past the quarter-final stage in the Rugby World Cup saw the interest levels fall immediately and the opportunity of high-turnover games in the later stages of the tournament was lost.

Additionally, the increased offering around the IRB Sevens circuit was a good result for the Season. Most of the growth was attributed to taking betting on more games, whereas in previous years only the single tournament winner option was available. In total, there were 153 options offered on the IRB Sevens circuit, which was double the offering for the 2005 Season.



Sports Wagering



Euro 2008 lost a bit of shine before the tournament began, with the England team failing to qualify. The English Premiership League is popular with sports fans in New Zealand, so the England side is a known 'draw-card' for this kind of tournament.

Although Euro 2008 turnover did not reach budget, the gross margin result was well up on budget. Several upsets early on in the tournament led to little action from larger-ticket customers during the second half of the event. Russia and Turkey performing well and knocking out favoured teams Croatia and Netherlands in the finals stage gave the margin a boost.

Netball was a stand-out performer, with betting turnover more than doubling in the 2007/08 year, mainly due to the new trans-Tasman ANZ Netball Championship.

The launch of this competition saw wagering interest in the sport soar, with

80,000 bets placed. Wagering participation levels were high for Monday night games and those featuring New Zealand teams. The Netball World Championship was also held in New Zealand in November 2007.

Netball looks to be a key area for the acquisition of female customers into wagering. The successful debut of the ANZ Championship sets the platform for next Season.

The introduction of a dedicated tennis bookie also helped to grow the offering around this sport, with the result being an extra 10 per cent of options offered, including live betting opportunities.

Live betting options were also extended across other sports and this has been well received by customers and looks to be a key area for growth.

Multi bets continued to grow in popularity last Season. One of the best collects of the Season finished with Lelia Masaga as



the top try scorer in the Super 14 rugby, which he was with eight tries. The other six legs in the Multi bet were all on NRL matches from earlier in the competition.

This \$50 investment saw the punter get a return of \$32,790.

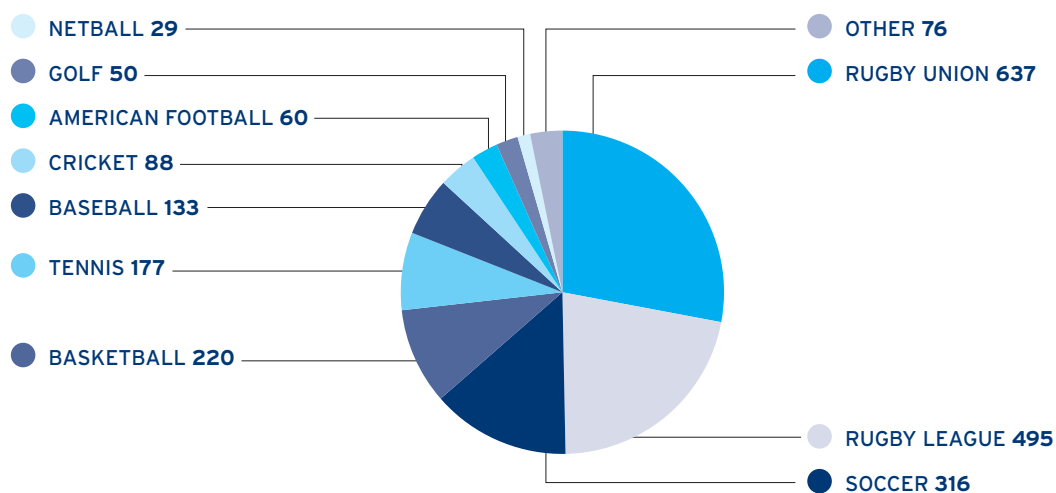
In channel development, Fixed Odds sports betting was introduced to the Touch Tone channel in August 2007. Touch Tone has been a strong growth channel for the New Zealand Racing Board and the extension of sports betting to the menu was a natural fit. In its inaugural year, Fixed Odds sports betting turnover via the Touch Tone channel was more than \$2 million, which is a good result but there is still plenty of scope for growth.


In October 2007, the New Zealand Racing Board, in conjunction with RadioWorks, launched BSport. This new venture is covered in more detail in the Broadcasting section of this report.

The introduction of a dedicated tennis bookie also helped to grow the offering around this sport, with the result being an extra 10 per cent of options offered, including live betting opportunities.



SPORTING BODY LEVIES (\$'000s) 2007/08





Broadcasting

It has been more than 15 years since the introduction of Trackside Television brought a whole new audience to the racing industry.

In the time since, broadcasting technologies and standards have progressed enormously, a situation with which the New Zealand Racing Board has kept pace and taken advantage of to the benefit of the industry.

The opportunity to bring live racing action from more than 950 race meetings each year to viewers throughout New Zealand was recognised last year with the investment by the New Zealand Racing Board in six new digital outside broadcast vans at a cost of more than \$13 million.

These units, which are now fully operational, provide for a far superior quality of picture and sound and will allow for the transition of Trackside Television to widescreen transmission in December 2008.

The move from analogue to digital technology also significantly enhances Trackside's outside broadcast operation and will provide greater opportunities for Trackside to simulcast live New Zealand racing action to Australia and other countries wanting New Zealand's racing product. This in turn is expected to generate new revenue streams for the New Zealand Racing Board and the Codes.



Broadcasting



In addition, the New Zealand Racing Board has upgraded the judicial service with new cameras and recording technology on-course, which provides enhanced-quality pictures for the judicial decision-making process.

This crucial investment provides the opportunity to expand into other media opportunities such as live streaming and video on demand via the internet. The New Zealand Racing Board has begun a trial with about 50 customers on video streaming. The trial will continue for a few more months before the business looks at how it will be introduced to the best effect.

Further investment has been made into installing permanent fibre-optic cable

capacity between the Avalon studio and 15 key racing venues across New Zealand.

The cable feed will stream coverage of more than 650 race meetings this Season, with satellite uplink covering the remaining 300. The combined contribution of satellite and fibre-optic minimises the risk of broadcast coverage failing, while increasing the volume of live coverage at no cost to the industry.

The new portable satellite units will allow Trackside to be on air, live, anywhere, any time with anyone, and will complement the New Zealand Racing Board's lease of an international satellite.

Other developments in broadcasting include the launch by the New Zealand Racing Board, in conjunction with

RadioWorks, of the first dedicated sports and racing network – BSport Radio.

BSport, which shares the Radio Trackside frequencies when there is no racing on air, features both breakfast and late morning shows. The hosts include some of the country's most talented sportspeople and broadcasters, including former Black Caps wicket-keeper Ian Smith, sports commentator and radio broadcaster Nathan Rarere and former Kiwi league international and sports promoter Dean Loneragan.

These hosts offer commentaries, opinion and analysis on the sport stories making the news as well as the latest betting options and odds from the TAB bookmakers.



Other developments in broadcasting include the launch by the New Zealand Racing Board, in conjunction with RadioWorks, of the first dedicated sports and racing network – BSport Radio.

In the year under review, the New Zealand Racing Board was also successful in securing two additional radio frequencies in Central Otago, which will improve the reception for Radio Trackside throughout the region.

In the past, only limited reception was possible, but with the full power licence along with work to be done on transmitters above the snowline, the whole area should receive widespread coverage shortly.


As the importance of broadcasting grows, so too does the importance of ensuring a robust succession planning process, bringing on board presenters with the skills and knowledge to meet the growing sophistication of the broadcast audience.

Four new voices have been introduced to the Trackside commentary and broadcast team. They are experienced race caller Bruce Sherwin (recently returned from Macau) and three new young talents, Jason Teaz, Thomas Wood and Jayne Ivil.

Since the inception of Trackside Television in 1992, the New Zealand Racing Board has leased presentation suites at TVNZ's Avalon studios in Lower Hutt. We have now renewed our contract with TVNZ for another five years. TVNZ will be upgrading the studio we use over the next three months to a fully digital suite to cater for our current and future requirements.

In addition, the New Zealand Racing Board has agreed to upgrade the existing presentation suite located at our office in Te Rapa, near Hamilton. Our post-production facilities at Petone are also undergoing an upgrade.

The New Zealand Racing Board will continue to invest in broadcasting opportunities as we work to give racing's audience better access to the action and information.



On-course The New Zealand Racing Board's increased focus on enriching the customer on-course experience continues to pay dividends for the racing industry.

On-course turnover increased for the second consecutive year – up \$2 million to \$80.7 million for the 2007/08 Season. This means on-course turnover has now grown over 7 per cent in the past two years. While this is a good result and indicates increased attendance, there are still many opportunities to be explored to achieve full on-course revenue potential.

Evidence of the potential exists in the 2008 Giltrap City Toyota Harness Jewels race meeting, which was found to contribute more than \$3.2 million to the Waikato economy in a report commissioned by the New Zealand Racing Board.

An economic impact report was also commissioned for the 2007 Kelt Capital Spring Carnival. The results showed a value added contribution to the Hawke's Bay's gross regional product of \$5.1 million.

These follow on from economic impact reports commissioned by the New Zealand Racing Board in 2006/07 for some of our other major events, including Christchurch's New Zealand Cup Week, Auckland's Christmas Carnival and Wellington's Cup Carnival.

When combined, the reports show more than \$30 million in economic benefit was delivered to regional economies from these major racing carnivals.

Two initiatives in particular have contributed to the growth in on-course attendance, turnover and racing club revenue – Destination Summer Holiday Racing and Christmas at the Races.





The Christmas at the Races events built on the established successful franchise model of Destination Summer Holiday Racing, which enjoyed its third season in 2007/08 with 29 race clubs throughout New Zealand hosting events.

Christmas at the Races is a new franchise developed by the New Zealand Racing Board with the aim of attracting new customers to racing by offering a pre-Christmas race day experience. It proved to be a resounding success, with more than 52,000 race goers celebrating the festive season Kiwi style at one of the 18 Christmas at the Races-branded race meetings around the country. This Season, the number of Christmas at the Races events planned has increased to 38.

In its inaugural season, clubs from all over the country accepted the New Zealand Racing Board's challenge and marketed a range of Christmas-themed race day hospitality packages under the Christmas

at the Races brand. This helped to stimulate a staggering 105 per cent growth in on-course attendance and a 34 per cent increase in on-course turnover at those events.

These national brands deliver economies of scale in relation to marketing and promotion of a level not possible for individual clubs. This was evidenced by New Zealand Racing Board-commissioned research showing that 63 per cent of the people who attended Christmas at the Races events had never been to a race meeting before.

The New Zealand Racing Board continued its extensive programme of on-course customer research during the 2007/08

Season, with more than 12,000 customer surveys conducted at 77 race events across the country.

For the season ahead, the New Zealand Racing Board is re-branding Destination Summer Holiday Racing as Summer Festival. The popularity of this franchise brand is expected to flourish, with 39 Summer Festival events planned.

These strategies of packaging on-course customer experiences, better on-course facilities, the provision of non-racing live entertainment for adults and children to enrich the customer experience and minimum standards for service will continue to grow the summer meeting attendances.



During the 2007/08 summer, the New Zealand Racing Board introduced another hugely successful on-course initiative in the mini-marquee programme, which was run in conjunction with clubs.

There were 33 events in the programme, which offered race day customers their own mini-marquees, hired from the clubs to share with family and friends. The New Zealand Racing Board leased the marquees to the clubs at minimal cost and provided support staff. Clubs found the mini-marquees greatly added to the carnival atmosphere on-course, provided an effective means of increasing customer satisfaction, and developed a relatively easy form of race day income.

Further enhancing the on-course experience, the Board continues to invest in giant outdoor screens and productions, with up to \$2.5 million to be invested in big screen entertainment across up to 63 race meetings throughout New Zealand over the next three Seasons.

The New Zealand Racing Board also began a trial of a new branded event – the Hot Toddies and Turf Jump Fest – to celebrate the best of what New Zealand Jumps racing has to offer. It involved three Thoroughbred jumping events in the winter and early spring of 2008 – Hastings (28 June), Riccarton (9 August) and Matamata (28 September) – and offered Kiwis the chance to jig to

Irish music and to sample hot toddies in cosy function rooms while watching the excitement of the hounds and hurdlers.

Looking forward, the Board is now in the process of exploring opportunities to develop other branded events such as a Group One brand for all premier race events in New Zealand. All three Codes are highly supportive of this initiative.

The Board is committed to delivering on its focus on better meeting the needs of race-goers to the benefit of the entire industry.

Distribution



The New Zealand Racing Board significantly invested in its key distribution networks during the year under review, which is starting to pay dividends.

This included opening seven new-look TAB stores in Auckland with three more to follow in the coming months. These bold new stores are designed to be more attractive to a wider audience and to help change overall perceptions of the TAB brand.

Some time ago, the New Zealand Racing Board recognised it was time to inject some new energy into the TAB 'bricks and mortar' network, so the layout of these new stores features things like designated theatre zones with soft seating and coffee lounges. Initial feedback from customers has been extremely positive.

A dedicated effort has also been made to differentiate the TAB brand experience across the extensive network of TAB agencies, socials and self-service outlets throughout New Zealand.

Many TAB stores in metropolitan areas now boast flush-mounted Sharp LCD televisions and touch-screen information stations for sports options and internet browsing.

The success of this revamp of the 'bricks and mortar' network was highlighted when Wellington's remodelled TAB Brandon Street won the Group Leisure Award at the 2007 New Zealand Retail Interior Design Awards. Judges described the agency as a dynamic evolution of an iconic New Zealand institution.

In October 2007, the New Zealand Racing Board launched a new magazine – Quarter Time. This 16-page magazine is sent out to all TAB stores and retail outlets, racing clubs as well as key industry stakeholders. It is designed to ensure information is getting out to all the frontline retail staff so they are aware of the various promotions the New Zealand Racing Board is running as well as its key business priorities.

Other initiatives within the retail setting have focused on improving our

customer engagement through new and improved form guides and more focused marketing promotions. New concepts such as free internet browsing have also been trialled at Wellington's TAB Cuba Street store.

The New Zealand Racing Board is continually looking at its promotions and in the year under review trialled a new campaign – the 'Win Win Winter' promotion – which specifically targeted the seasonal drop-off in wagering over the winter period.

The promotion, which was a first for the TAB, included daily and lucky-hour draws for 42-inch widescreen plasma televisions and weekly draws for a \$10,000 fishing trip (or travel vouchers). The campaign proved popular with customers and aspects of it are likely to be re-used in the future, including the lucky-hour concept.

The three horse characters developed to promote the campaign – Lightning, Thunder Sox and Longlap – will also be re-used in other campaigns.

The success of the revamp of the 'bricks and mortar' network was highlighted when Wellington's remodelled TAB Brandon Street won the Group Leisure Award at the 2007 New Zealand Retail Interior Design Awards. Judges described the agency as a dynamic evolution of an iconic New Zealand institution.

The TAB also ran a campaign during the year, which focused on Greyhound racing and increasing betting numbers on the Code. This achieved fantastic results with nearly 500,000 more Greyhound bets being sold over and above the expected targets during the course of the eight-week campaign.

The New Zealand Racing Board's three-year strategic plan puts the customer at the heart of everything it does and has aimed to get the business focused more on the customers and delivering what they want.

With this in mind, the New Zealand Racing Board has recruited a Customer Relationship Specialist who has a dedicated focus on the needs of our high value customers.

A system has also been put in place which enables the marketing team to undertake targeted marketing campaigns in-house. This allows the weekly email newsletter Odds On to be distributed to a targeted audience. Targeted emails highlighting new or ongoing promotions and competitions are being used to help drive website traffic to www.tab.co.nz and www.theraces.co.nz.

Other initiatives undertaken included contacting dormant account holders months in advance of major sporting and racing events, such as the Melbourne Cup, to prompt them to get organised ahead of time if they wished to reactivate their account. The idea is to assist in reducing Helpdesk and Phonebet call volumes on the day of major events and also to help make the reactivation process much quicker for the customer.

Looking ahead, the New Zealand Racing Board's online channel – the www.tab.co.nz website – is undergoing an overhaul and the new-look site will be launched shortly.

Research has shown the TAB brand has a high level of recall and awareness amongst New Zealanders. That is why it is important the brand is repositioned to retain customers and acquire new ones. The 'bricks and mortar' network not only acts as a key selling channel but also is a key brand communication for potential new customers, even if they choose only to transact online. That is why we are investing time and effort into ensuring the brand experience gives the right perception and to ensuring all our selling channels are connected.



Financial Statements

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Statement of Financial Performance

FOR THE YEAR ENDED 31 JULY 2008

	Notes	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
REVENUE AND OTHER INCOME				
Betting Turnover (including GST)	1a	1,527,712	1,521,895	1,435,558
Net Dividends (including GST)		(1,255,286)	(1,249,400)	(1,166,406)
Betting Deductions (including GST)	1b	(40,307)	(39,130)	(39,077)
Net Betting Revenue (excluding GST)		232,119	233,365	230,075
Interest Income	1c	7,670	7,273	6,907
Other Income	1d, 18a	31,709	24,339	15,183
Other Revenues		39,379	31,612	22,090
Total Revenue and Other Income		271,498	264,977	252,165
EXPENSES				
Operating Expenses	2	140,572	133,760	130,437
Net Return before Industry Expenditure and Distributions		130,926	131,217	121,728
INDUSTRY AND ON COURSE PROJECTS				
On Course and Other Projects Funded	20b	3,242	2,135	-
Industry Projects Funded	20c	978	1,800	3,237
Total Industry and On Course Projects		4,220	3,935	3,237
Surplus Available for Distribution		126,706	127,282	118,491
FUNDING TO THE RACING INDUSTRY				
Fixed Code Funding	20d	84,261	84,261	1,500
Domestic Market Share Code Funding	20d	14,320	14,931	87,846
Variable Code Funding	20d, 18b	26,842	22,118	22,063
Research and Integrity Funding	20d, 18b	2,087	2,200	1,277
Total Funding	20d	127,510	123,510	112,686
Undistributed Earnings Transferred to/(from) General Reserves		(804)	3,772	5,805

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Changes in Equity

FOR THE YEAR ENDED 31 JULY 2008

	Notes	General Reserve NZ\$'000	Industry Revitalisation Reserve NZ\$'000	Total NZ\$'000	Budget NZ\$'000
Balance as at 1 August 2006	22	91,412	7,268	98,680	99,522
Undistributed Earnings for the Year		5,805	-	5,805	7,892
TOTAL RECOGNISED INCOME AND EXPENSE		5,805	-	5,805	7,892
Transfers to/(from) General Reserves	20c	3,237	(3,237)	-	-
Balance as at 31 July 2007		100,454	4,031	104,485	107,414
Adjust Budget for Actual Carried Forward		-	-	-	(2,929)
Undistributed Earnings for the Year		(804)	-	(804)	3,772
TOTAL RECOGNISED INCOME AND EXPENSE		(804)	-	(804)	843
Transfers to/(from) General Reserves	20c	978	(978)	-	(1,800)
Transfer to General Reserves on Dissolution of Industry Revitalisation Reserve	19	3,053	(3,053)	-	-
Balance as at 31 July 2008	19	103,681	-	103,681	108,257

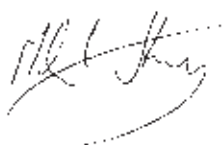
The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Financial Position

AS AT 31 JULY 2008

	Notes	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
CURRENT ASSETS				
Cash and Cash Equivalents	3, 14	23,465	31,007	44,863
Trade and Other Receivables	4	4,600	3,544	2,880
Financial Assets	5, 14	55,959	52,123	49,619
Other Assets	6	1,179	1,627	812
Total Current Assets		85,203	88,301	98,174
NON CURRENT ASSETS				
Property, Plant and Equipment	11	51,788	46,270	38,311
Intangible Assets	12	10,038	12,558	13,316
Financial Assets	5, 14	5,073	6,386	6,557
Total Non-Current Assets		66,899	65,214	58,184
TOTAL ASSETS		152,102	153,515	156,358
CURRENT LIABILITIES				
Trade and Other Payables	7	15,707	16,123	15,152
Account Betting Deposits and Vouchers		12,888	13,269	12,583
Financial Liabilities	8	14,169	12,273	19,465
Other Liabilities	9	4,050	2,485	2,899
Total Current Liabilities		46,814	44,150	50,099
NON CURRENT LIABILITIES				
Financial Liabilities	8	773	583	1,218
Other Liabilities	9	834	525	556
Total Non-Current Liabilities		1,607	1,108	1,774
TOTAL LIABILITIES		48,421	45,258	51,873
Net Assets		103,681	108,257	104,485
EQUITY				
General Reserves	19	103,681	106,026	100,454
Industry Revitalisation Reserve	19	-	2,231	4,031
Total Equity		103,681	108,257	104,485

The members of the New Zealand Racing Board authorise these Financial Statements for issue on 16 September 2008.



Michael Stiassny
Chairman of the New Zealand Racing Board



Warren Bell
Chairman of the Audit and Finance Committee
of the New Zealand Racing Board

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Cash Flows

FOR THE YEAR ENDED 31 JULY 2008

	Notes	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
NET CASHFLOWS FROM OPERATING ACTIVITIES				
Inflows				
Betting Turnover		1,527,640	1,521,895	1,435,494
Racing Services Income		14,336	14,351	5,763
Jackpot Retentions and Account Deposits		198	326	879
Interest Received		6,685	7,273	7,065
Other Income		15,341	10,652	7,436
		1,564,200	1,554,497	1,456,637
Outflows				
Dividends Paid		1,255,738	1,247,954	1,167,115
Fixed and Domestic Market Share Funding		103,535	106,192	82,515
On-course and Industry Projects		4,220	3,935	3,237
Variable and Research and Integrity Funding		28,930	24,318	23,340
Payments to Suppliers		89,053	85,472	85,702
Payment to Employees		33,345	33,995	28,935
Goods and Services Tax		29,098	28,772	28,271
Betting Duty Paid		9,609	10,358	10,307
Sporting Bodies' Levies		2,224	2,399	2,162
		1,555,752	1,543,395	1,431,584
Net cash provided by/(used in) Operating Activities	15	8,448	11,102	25,053
NET CASHFLOWS FROM INVESTING ACTIVITIES				
Inflows				
Repayments of Short Term Deposits on Maturity		-	-	-
Disposal of Fixed Assets		26	-	106
Repayments of Club Loans		1,609	187	272
		1,635	187	378
Outflows				
Purchase of Property, Plant and Equipment and Intangibles		24,540	22,641	11,326
Investment in Short Term Deposits		2,454	2,504	2,051
Drawdowns of Club Loans		4,487	-	-
		31,481	25,145	13,377
Net cash provided by/(used in) Investing Activities		(29,846)	(24,958)	(12,999)
Net Increase/(Decrease) in Cash and Cash Equivalents		(21,398)	(13,856)	12,054
Cash and Cash Equivalents at the start of the year		44,863	44,863	32,809
		23,465	31,007	44,863
Cash and Cash Equivalents at the end of the year	3	23,465	31,007	44,863
		23,465	31,007	44,863

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Accounting Policies

REPORTING ENTITY

The New Zealand Racing Board is a statutory body established pursuant to the Racing Act 2003. The New Zealand Racing Board is domiciled in New Zealand, with its head office located at 106–110 Jackson Street, Petone, Wellington.

The principal objectives of the New Zealand Racing Board are:

- to promote the racing industry; and
- to facilitate and promote racing betting and sports betting; and
- to maximise its profits for the long-term benefit of New Zealand racing.

The financial statements are prepared in accordance with the Racing Act 2003. The Racing Act 2003 requires disclosure of budgeted amounts approved by the Board.

STATEMENT OF COMPLIANCE

For the purposes of financial reporting the New Zealand Racing Board is a profit oriented entity.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-oriented entities. These financial statements comply with International Financial Reporting Standards.

BASIS OF PREPARATION

These financial statements have been prepared on the basis of historic cost except for the revaluation of certain non-current assets and financial instruments outlined below. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The New Zealand Racing Board changed its accounting policies on 1 August 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, with 1 August 2006 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the financial position, financial performance and cash flows is discussed in note 22.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 July 2008, the comparative information presented in these financial statements for the year ended 31 July 2007, and in the preparation of the opening NZ IFRS statement of financial position at 1 August 2006 (as disclosed in note 22), the New Zealand Racing Board's date of transition.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. These are estimates that require management's most difficult, subjective or complex judgements.

The following are the key sources of estimation uncertainty:

Long Service Leave

A provision for Long Service Leave has been established to recognise the future liability to the New Zealand Racing Board for employee benefits to the extent that it is probable that they will vest.

The provision established contains several key assumptions around tenure of employment, future increase in remuneration and retirement dates.

Make Good Provisions

A provision for Make Good Costs has been established to recognise the future liability to the New Zealand Racing Board for costs on the exit of leasehold property.

The provision established contains several key assumptions around lease tenure and average expected exit costs. Average expected exit costs have been estimated using knowledge of costs incurred over the past three years on exit of leasehold property.

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Accounting Policies

Fair Value Adjustment on Fixed Odds Bets

Fair value adjustments recorded on open Fixed Odds betting positions have been calculated by applying the expected probability of each outcome to the potential gross dividend payable on any particular outcome.

The adjustment contains several key assumptions around the calculation of the deemed probability of an outcome arising.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the New Zealand Racing Board and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Net Betting Revenue

Net Betting Revenue consists of resulted turnover less dividends paid and payable to customers and duty and GST payable to the Inland Revenue Department. Except where otherwise noted, Net Betting Revenue is recognised at the time the betting event takes place.

Totalisator Revenue

Totalisator Revenue is recognised at the time the betting event takes place.

Fixed Odds Betting Revenue

Revenue is recognised as the net win or loss on an event. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is brought to account. Open betting positions are carried at fair market value and gains and losses arising on these positions are recognised in revenue.

International Racing Fees

International Racing Fees is income earned by the New Zealand Racing Board through the export of New Zealand racing events to international Betting Agencies. This revenue is recognised at the time that the racing event takes place.

Interest Income

Interest Income is recognised using the Effective Interest Method.

Racing Services Income

Racing Services Income refers to income the New Zealand Racing Board derives from providing on-course race day services to racing clubs, recovered as part of the funding arrangements from the Code bodies. This revenue is recognised at the time that the racing event takes place.

Capital Contributions

Capital contributions received from the Racing Code Bodies in respect of laboratory equipment purchased by the New Zealand Racing Board are recognised as deferred income over the life of the laboratory assets.

(b) Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in the statement of financial performance in the period in which they arise.

(c) Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows are prepared on a GST exclusive basis except for betting turnover and dividends paid to customers. The GST component in betting turnover represents the GST payable on betting deductions and net betting revenue as outlined in the Racing Act 2003. All items in the statement of financial position and statement of changes in equity are stated net of GST, with the exception of trade receivables and payables which are recognised inclusive of GST.

(d) Income Tax

The New Zealand Racing Board is exempt from income tax pursuant to section CW47 of the Income Tax Act 2007.

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Accounting Policies

(e) Inventories

Inventories, including betting slips and merchandise held for resale, are valued at the lower of cost and net realisable value, as determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(f) Financial assets

Cash and cash equivalents comprise cash on hand, cash at bank and investments with an initial term of less than three months.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following specified categories: 'held-to-maturity' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Held-to-maturity investments

Corporate bonds are classified as held-to-maturity and are stated at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount of the financial asset.

(g) Financial liabilities

Trade and other accounts payable

Trade and other accounts payable are recognised when the New Zealand Racing Board becomes obliged to make future payments resulting from the purchase of goods and services.

Unpaid dividends

Unpaid dividends represents the liability due to winning customers not yet claimed. Like revenue, unpaid dividends are recognised at the time the betting event takes place.

Jackpot retentions

Jackpot retentions are established in accordance with the Racing Rules pursuant to section 52 of the Racing Act 2003. Jackpot retentions comprise amounts set aside from the dividend pools of Pick6, Six Pack and Pools betting. Funds accumulated are used exclusively for the purpose of supplementing the dividend pool on some occasions when the same form of betting is offered subsequently.

Other financial liabilities

Other financial liabilities are measured initially at fair value and subsequently at amortised cost.

(h) Derivative financial instruments

The New Zealand Racing Board may from time to time enter into derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of financial performance immediately. The New Zealand Racing Board has not designated any derivatives as hedges.

Fixed Odds Betting Revenue

Fixed Odds Betting positions are considered derivative financial instruments for the purposes of financial reporting. Refer to the Revenue recognition policy for Fixed Odds Betting Revenue in (a) above.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Accounting Policies

(i) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment.

The deemed cost for land and buildings is the valuation on the inception of the New Zealand Racing Board in 2003.

Depreciation is calculated on a straight line basis so as to allocate the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The current annual depreciation rates are as follows:

Buildings and fit out (at deemed cost)	2.5% – 10%	Leasehold improvements	14.3% – 20.0%
Computer hardware	14.3% – 33.3%	Motor vehicles	14.3% – 33.3%
Furniture, office equipment and plant	10.0% – 20.0%	Operations and trackside equipment	20.0%

(j) Leased assets

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction in the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(l) Intangible assets

Broadcasting licences and software are finite life intangible assets recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

The current annual amortisation rates are as follows:

Broadcasting licences	5.0% – 38.5%
Other Broadcasting Intangibles	16.7%
Software	14.3% – 33.3%

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of Accounting Policies

(m) Impairment of assets

At each reporting date, the New Zealand Racing Board reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the New Zealand Racing Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of financial performance immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of financial performance immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Provisions

Provisions are recognised when the New Zealand Racing Board has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the New Zealand Racing Board in respect of services provided by employees up to reporting date.

(p) Netting

The movement in Jackpot Retentions and Account Deposits have been presented net in the Statement of Cash Flows as transactions are settled over a short period of time.

(q) New Standards and Interpretations not yet adopted

A number of new standards and interpretations that are not yet effective for the year ending 31 July 2008 have not been applied in preparing these financial statements. The New Zealand Racing Board considers the following standards will have a non-material disclosure impact on the financial statements in future accounting periods.

- NZ IAS 1 (Revised) *Presentation of Financial Statements* (effective for accounting periods beginning on or after 1 January 2009)
- NZ IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009)

There are a number of other standards and interpretations that have been issued and are not yet effective that are not considered to impact upon the New Zealand Racing Board's financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2008

1. REVENUE

	Notes	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
REVENUE FROM CONTINUING OPERATIONS:				
(a) Betting Turnover (including GST)				
Off-Course Racing – Totalisator (Tote)		1,221,979	1,225,767	1,157,912
Off-Course Racing – Fixed Odds (FOB)		87,105	65,348	67,714
On-Course Racing		80,682	83,480	78,427
TOTAL RACING TURNOVER		1,389,766	1,374,595	1,304,053
Sports – Totalisator (Tote)		2,236	2,075	2,098
Sports – Fixed Odds (FOB)		135,710	145,225	129,407
TOTAL SPORT TURNOVER		137,946	147,300	131,505
TOTAL BETTING TURNOVER		1,527,712	1,521,895	1,435,558
(b) Betting Deductions (including GST)				
Betting Duty		10,669	10,358	10,345
Goods and Services Tax		29,638	28,772	28,732
TOTAL BETTING DEDUCTIONS		40,307	39,130	39,077
(c) Interest Income				
Cash and Cash Equivalents		2,692	3,418	2,868
Short Term Deposits		4,608	3,480	3,812
Corporate Bonds		328	375	217
Other Loans and Receivables		42	-	10
TOTAL INTEREST INCOME		7,670	7,273	6,907
(d) Other Income				
Racing Services Income	18a	14,336	14,351	5,763
International Racing Fees	17	12,620	5,066	4,132
Other		4,753	4,922	5,288
TOTAL OTHER INCOME		31,709	24,339	15,183

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2008

2. OPERATING EXPENSES

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
(a) Operating Expenses includes the following items:			
Amortisation Expense	5,515	5,295	5,445
Auditor's Remuneration			
- Auditing Services	108	85	99
- Other Services*	25	-	90
Bad Debts Written Off	2	-	-
Board Members' Remuneration and Expenses	280	300	265
Broadcasting Expenses	6,817	7,019	6,750
Communications Expenses	7,219	7,257	7,016
Depreciation Expense	9,179	9,945	7,870
Employee Expenses	36,177	33,545	32,995
Finance Costs	24	-	9
Form Guide Production and Marketing Expenses	7,665	7,023	6,884
Insurance	1,029	918	876
Net Movement in Provision for Doubtful Debts	44	-	(44)
Overseas Racing Rights	15,688	13,731	12,804
Problem Gambling Levy and Expenses	1,631	1,585	1,531
Property and Equipment Leases	4,328	4,054	3,917
Retail and Internet Fees	27,743	26,556	25,979
Sporting Body Levies	2,281	2,399	2,162
Other Expenses	14,787	14,028	15,744
(b) Surplus has been arrived at after (crediting)/charging the following gains and losses			
(Gain)/Loss on Disposal of Property, Plant & Equipment	1	-	(20)
Net Foreign Exchange (Gains)/Losses	29	20	65
TOTAL OPERATING EXPENSES	140,572	133,760	130,437

* The fees paid to Auditors for Other Services comprise of work undertaken on the Board's NZ IFRS transition and a review of Computer Network Security.

3. CASH AND CASH EQUIVALENTS

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
Foreign Currency Bank Accounts	84	200	197
Foreign Currency Betting Accounts	292	250	245
NZ Dollar Bank Accounts and Call Deposits	23,089	30,557	44,421
TOTAL CASH AND CASH EQUIVALENTS	23,465	31,007	44,863

4. TRADE AND OTHER RECEIVABLES

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
Amounts Receivable from Related Parties	-	-	-
Trade and Sundry Receivables	4,663	3,584	2,899
Allowance for Doubtful Debts	(63)	(40)	(19)
TOTAL TRADE AND OTHER RECEIVABLES	4,600	3,544	2,880

Settlement Receivables

The New Zealand Racing Board's retail outlets settle on a weekly basis.

The New Zealand Racing Board holds either bank guarantees or cash bonds from Retail outlets of a value generally greater than a weeks settlement.

Trade Receivables

The average credit period on sales of goods and services is 46 days (2007: 44 days). No interest is charged on trade receivables past due date. The Board has provided for certain receivables over 90 days where debt collection agencies have been instructed to collect the debt. An analysis of the aging of trade receivables at reporting date is outlined below:

Included in the New Zealand Racing Board's trade receivable balance are debtors with a carrying amount of \$517,082 which are past due at 31st July 2008 (2007: \$114,818) for which the Board has not provided or impaired. The Board has not provided for or impaired these debts as it does not believe there has been a significant change in credit quality and the Board considers these amounts still recoverable. The New Zealand Racing Board does not hold any collateral over these balances, of which the average age is 67 days (2007: 64 days) at reporting date. An analysis of the aging of debtors past due but not provided is outlined below.

	Actual 2008 NZ\$'000	Actual 2007 NZ\$'000
30 days	427	77
60 days	3	20
90+ days	87	17
TOTAL	517	114

Movement in the allowance for doubtful debts:

	Note	Actual 2008 NZ\$'000	Actual 2007 NZ\$'000
Balance at the beginning of the year		19	63
Amounts written off during the year	2a	(2)	-
Amounts recovered during the year		(57)	-
Increase/(decrease) in allowance recognised in profit or loss		103	(44)
BALANCE AT THE END OF THE YEAR		63	19

In determining the recoverability of a trade receivable the Board considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Board believe that there is no further credit provision required in excess of the allowance for doubtful debts. Within the allowance for doubtful debts there are no companies which have been placed under liquidation and as such no further impairment is required.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2008

5. FINANCIAL ASSETS

	Note	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
CLASSIFIED AS HELD TO MATURITY				
Short Term Deposits		51,887	51,936	49,431
Corporate Bonds		5,011	5,011	5,011
CLASSIFIED AS LOANS AND RECEIVABLES AT AMORTISED COST				
Advances to Clubs	10	4,134	1,562	1,734
TOTAL FINANCIAL ASSETS		61,032	58,509	56,176
Disclosed as:				
Current		55,959	52,123	49,619
Non-Current		5,073	6,386	6,557
TOTAL FINANCIAL ASSETS		61,032	58,509	56,176

\$16,000,000 is held in Trust to cover the amounts owing to customers for account deposits and unrepresented betting vouchers (2007: \$14,000,000). The balance of these items as at 31 July 2008 was \$12,888,178 (2007: \$12,583,059)

6. OTHER ASSETS

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
Prepayments	876	1,371	556
Inventory*	303	256	256
TOTAL OTHER ASSETS	1,179	1,627	812

* Inventory is carried at cost.

7. TRADE AND OTHER PAYABLES

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
Amounts Payable to Board Members	35	40	39
Trade Payables and Accruals	11,537	13,269	12,445
Taxes Payable	3,346	1,807	1,807
Deferred Revenue (Presales)	789	1,007	861
TOTAL TRADE AND OTHER PAYABLES	15,707	16,123	15,152

No interest is incurred on the trade payables unless the amounts payable fall overdue, at the discretion of the vendor. The New Zealand Racing Board has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

8. FINANCIAL LIABILITIES

	Note	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
Canwest Radio Liability		1,156	1,192	1,768
Code Liability		7,926	5,879	12,879
Unpaid Dividends		3,427	3,135	2,957
Jackpot Retentions		2,284	2,500	2,860
Finance Leases	13c	149	150	219
TOTAL FINANCIAL LIABILITIES		14,942	12,856	20,683
Disclosed as:				
Current		14,169	12,273	19,465
Non-Current		773	583	1,218
TOTAL FINANCIAL LIABILITIES		14,942	12,856	20,683

9. OTHER LIABILITIES

		Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
Employee Entitlements		4,318	2,787	3,237
Capital Contributions by Racing Codes		258	-	-
Make Good Provisions*		308	223	218
TOTAL OTHER LIABILITIES		4,884	3,010	3,455
Disclosed as:				
Current		4,050	2,485	2,899
Non-Current		834	525	556
TOTAL OTHER LIABILITIES		4,884	3,010	3,455

* The movement in the Make Good Provision represents the recalculation of the liability for costs on the exit of leasehold property. The calculation is periodically updated to include the make good costs experienced over the current reporting period.

10. LOANS AND ADVANCES TO CLUBS AND CODES

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
LOANS TAKEN OVER FROM THE NEW ZEALAND RACING INDUSTRY BOARD (NZRIB)			
Avondale Jockey Club	-	1,422	1,572
Wanganui Greyhound Racing Club	130	140	162
Total NZRIB Loans	130	1,562	1,734
LOANS AND ADVANCES BY THE NEW ZEALAND RACING BOARD (NZRB)			
New Zealand Metropolitan Trotting Club (Inc.)	3,344	-	-
New Zealand Greyhound Racing Association	660	-	-
Total NZRB Loans	4,004	-	-
TOTAL LOANS AND ADVANCES TO CLUBS AND CODES	4,134	1,562	1,734
Disclosed as:			
Current	58	187	188
Non-Current	4,076	1,375	1,546
TOTAL LOANS AND ADVANCES TO CLUBS AND CODES	4,134	1,562	1,734

The Interest Rate on the outstanding loan with Wanganui Greyhound Racing Club is fixed at 4% (2007: 4%). The interest rate on the outstanding loan with the New Zealand Metropolitan Trotting Club is variable, and was 7.19% at the reporting date. The New Zealand Racing Board is satisfied as to the ultimate collectability of these loans.

In July 2007, the Board approved a loan of up to \$5.7m to the NZ Metropolitan Trotting Club. As at 31 July 2008, New Zealand Metropolitan Racing Club had drawn down \$3,806,488 of the total approved amount.

On 2 May 2008, the Board provided a loan of \$660,000 to the New Zealand Greyhound Racing Association in relation to the upgrade of the track surface at the Manawatu Greyhound Racing Club.

On 29 November 2007, the Avondale Jockey Club repaid its loan (2007:\$1,572,000) and all monies owed in respect to this loan were collected by the New Zealand Racing Board.

Collateral

The outstanding balances of the loans, other than the loan to New Zealand Greyhound Racing Association are secured and are repayable in cash.

The New Zealand Metropolitan Trotting Club loan is secured by a General Security Agreement and mortgage over all the assets of New Zealand Metropolitan Trotting Club (Inc.) and Addington Raceway Ltd. The total value of these assets per the Annual Report of the New Zealand Metropolitan Trotting Club (Inc.) for the year ended 31 July 2007 was \$36,765,276.

The Wanganui Greyhound Racing Club loan is secured by a Deed of Guarantee which appoints the New Zealand Greyhound Racing Association as guarantor.

Notes to the Financial Statements

11. PROPERTY, PLANT & EQUIPMENT

	Land	Buildings	Computer Hardware	Office Equipment
COST OR DEEMED COST				
Balance at 1 August 2006	2,590	15,251	41,713	3,352
Additions	-	507	6,163	965
Disposals	-	(2,823)	(7,570)	(1,841)
Net Additions to Work in Progress	-	-	-	-
Balance at 31 July 2007	2,590	12,935	40,306	2,476
Balance at 1 August 2007	2,590	12,935	40,306	2,476
Additions	-	399	2,705	799
Disposals	-	(416)	(1,609)	-
Net Additions to Work in Progress	-	-	-	-
Balance at 31 July 2008	2,590	12,918	41,402	3,275
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 August 2006	-	(5,410)	(31,378)	(2,602)
Depreciation for the year	-	(829)	(4,246)	(611)
Impairment loss	-	-	-	-
Disposals	-	2,813	6,818	1,836
Balance at 31 July 2007	-	(3,426)	(28,806)	(1,377)
Balance at 1 August 2007	-	(3,426)	(28,806)	(1,377)
Depreciation for the year	-	(492)	(4,256)	(499)
Impairment loss	-	-	-	-
Disposals	-	90	1,459	-
Balance at 31 July 2008	-	(3,828)	(31,603)	(1,876)
NET BOOK VALUE				
Balance at 1 August 2006	2,590	9,841	10,335	750
Balance at 31 July 2007	2,590	9,509	11,500	1,099
Balance at 31 July 2008	2,590	9,090	9,799	1,399

Leased Office Equipment

The Board leases photocopying equipment under a Finance Lease arrangement. At 31 July 2008, the carrying amount of leased Office Equipment was \$103,686 (2007: \$138,249)

Leasehold Improvements	Motor Vehicles	Operations & Trackside Equipment	Total Property, Plant & Equipment	Work in Progress	Total
12,770	3,699	19,030	98,405	5,080	103,485
698	608	762	9,703	-	9,703
(137)	(661)	(4,790)	(17,822)	-	(17,822)
-	-	-	-	370	370
13,331	3,646	15,002	90,286	5,450	95,736
13,331	3,646	15,002	90,286	5,450	95,736
1,493	2,296	13,495	21,187	-	21,187
(5)	(161)	(28)	(2,219)	-	(2,219)
-	-	-	-	1,984	1,984
14,819	5,781	28,469	109,254	7,434	116,688
(8,601)	(2,970)	(15,584)	(66,545)	-	(66,545)
(611)	(573)	(1,000)	(7,870)	-	(7,870)
-	-	-	-	-	-
101	643	4,779	16,990	-	16,990
(9,111)	(2,900)	(11,805)	(57,425)	-	(57,425)
(9,111)	(2,900)	(11,805)	(57,425)	-	(57,425)
(1,185)	(647)	(2,100)	(9,179)	-	(9,179)
-	-	-	-	-	-
4	151	-	1,704	-	1,704
(10,292)	(3,396)	(13,905)	(64,900)	-	(64,900)
4,169	729	3,446	31,860	5,080	36,940
4,220	746	3,197	32,861	5,450	38,311
4,527	2,385	14,564	44,354	7,434	51,788

12. INTANGIBLE ASSETS

	Software	Licences	Other Broadcasting Intangibles	Total Intangibles
COST OR DEEMED COST				
Balance at 1 August 2006	35,312	4,136	4,550	43,998
Additions	2,569	-	-	2,569
Disposals	-	(36)	-	(36)
Balance at 31 July 2007	37,881	4,100	4,550	46,531
Balance at 1 August 2007	37,881	4,100	4,550	46,531
Additions	2,304	14	-	2,318
Disposals	(17)	(77)	-	(94)
Balance at 31 July 2008	40,168	4,037	4,550	48,755
AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 August 2006	(25,043)	(2,498)	(1,011)	(28,552)
Amortisation for the year	(4,340)	(347)	(758)	(5,445)
Impairment loss	-	-	-	-
Disposals	747	35	-	782
Balance at 31 July 2007	(28,636)	(2,810)	(1,769)	(33,215)
Balance at 1 August 2007	(28,636)	(2,810)	(1,769)	(33,215)
Amortisation for the year	(4,462)	(295)	(758)	(5,515)
Impairment loss	-	-	-	-
Disposals	4	9	-	13
Balance at 31 July 2008	(33,094)	(3,096)	(2,527)	(38,717)
NET BOOK VALUE				
Balance at 1 August 2006	10,269	1,638	3,539	15,446
Balance at 31 July 2007	9,245	1,290	2,781	13,316
Balance at 31 July 2008	7,074	941	2,023	10,038

13. COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Actual 2008 NZ\$'000	Actual 2007 NZ\$'000
Property, plant and equipment – Payable:		
Within one year	3,758	8,485
Later than one year but no later than five years	1,350	-
TOTAL CAPITAL COMMITMENTS	5,108	8,485

In July 2008 the Board accepted the Ministry of Economic Development's offer to secure twenty year incumbency rights on AM and FM radio licences, at a cost of \$1.35m payable in 2010.

The majority of the capital commitments as at 31 July 2007 related to the purchase of outside broadcast vehicles. This commitment was fully paid in the year and the assets purchased are now reported within Property, Plant and Equipment.

(b) Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Actual 2008 NZ\$'000	Actual 2007 NZ\$'000
Within one year	4,309	3,492
Later than one year but no later than five years	7,386	6,046
Later than five years	983	264
TOTAL OPERATING LEASE COMMITMENTS	12,678	9,802

The New Zealand Racing Board leases various buildings under operating leases. The leases have varying terms and renewal rights. On renewal the terms of the leases are to be negotiated.

One of the leased properties has been sublet by the New Zealand Racing Board. The lease and sublease expire in 2010. Sublease payments of \$59,697 are expected to be received during the financial year.

One of the leased properties has an outstanding rent review. This is expected to be settled within the next financial year.

For the year ended 31 July 2008 \$4.3m was recognised as an expense in the Income Statement in respect of operating leases (2007: \$3.9m).

(c) Finance Lease Commitments

The New Zealand Racing Board has the following commitments under Finance Leases:

	Actual 2008 NZ\$'000	Actual 2007 NZ\$'000
Within one year	60	68
Later than one year but no later than five years	89	151
Later than five years	-	-
TOTAL FINANCE LEASE COMMITMENTS	149	219

14. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

The Board manages its capital to ensure it is able to continue as a going concern whilst maximising the return to the Industry stakeholders through optimisation of equity levels.

The capital structure of the Board consists of cash and cash equivalents and other financial assets as outlined in notes 3 and 5 respectively as well as equity in the form of retained earnings. The Board reviews the capital structure on an annual basis as part of the annual budget cycle. As a part of this review the Board considers the distribution or retention of capital balances.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the Statement of Accounting policies included in these financial statements.

(c) Categories of Financial Instruments

	Actual 2008			
	Held to Maturity NZ\$'000	Loans and receivables NZ\$'000	Financial assets and liabilities at amortised cost NZ\$'000	Total NZ\$'000
ASSETS				
Cash and Cash Equivalents	-	23,465	-	23,465
Trade and other receivables	-	4,600	-	4,600
Other financial Assets	56,898	4,134	-	61,032
Total financial assets	56,898	32,199	-	89,097
Total non-financial assets				63,005
TOTAL ASSETS				152,102
LIABILITIES				
Trade and other payables	-	-	15,707	15,707
Employee Entitlements	-	-	4,318	4,318
Other financial liabilities	-	-	14,942	14,942
Account betting deposits and vouchers	-	-	12,888	12,888
Total financial liabilities	-	-	47,855	47,855
Total non-financial liabilities				566
TOTAL LIABILITIES				48,421

14. FINANCIAL INSTRUMENTS – CONTINUED

	Actual 2007			
	Held to Maturity NZ\$'000	Loans and receivables NZ\$'000	Financial assets and liabilities at amortised cost NZ\$'000	Total NZ\$'000
ASSETS				
Cash and Cash Equivalents	-	44,863	-	44,863
Trade and other receivables	-	2,880	-	2,880
Other financial Assets	54,442	1,734	-	56,176
Total financial assets	54,442	49,477	-	103,919
Total non-financial assets				52,439
TOTAL ASSETS				156,358
LIABILITIES				
Trade and other payables	-	-	15,152	15,152
Employee Entitlements	-	-	3,237	3,237
Other financial liabilities	-	-	20,683	20,683
Account betting deposits and vouchers	-	-	12,583	12,583
Total financial liabilities	-	-	51,655	51,655
Total non-financial liabilities				218
TOTAL LIABILITIES				51,873

(d) Financial Risk Management

The Corporate Treasury function co-ordinates all foreign exchange transactions and investment activity as well as monitoring and managing all financial risks relating to the operation of the Board. These risks include credit risk, liquidity risk and interest and foreign exchange rate risk.

The use of financial instruments is governed by the Treasury policy approved by the Board of the New Zealand Racing Board. The policy provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. The policy also outlines the principles for liquidity risk management.

Compliance with the Treasury policy and exposure limits therein is reviewed by the internal audit function of the New Zealand Racing Board on an annual basis. The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

A Treasury report is presented to the Board on a monthly basis outlining the exposure limits and compliance with the Treasury policy.

The New Zealand Racing Board uses recognised book making tools and strategies to appropriately manage risk and exposure. These include customer profiling, pricing management and using a spread of options to take a portfolio approach. In addition to this the bookmakers are also able to layoff exposures with other betting agencies. From time to time, independent experts are engaged to review the performance of the Fixed Odds Betting Operation and refine strategies.

Notes to the Financial Statements

14. FINANCIAL INSTRUMENTS – CONTINUED

(e) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board. The Board manages liquidity risk by maintaining adequate cash reserves to satisfy anticipated capital expenditure and distribution requirements.

The following tables outline the Board's remaining contractual maturity for its non-derivative financial liabilities. These tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Board can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

FINANCIAL LIABILITIES	Weighted average effective interest rate %	Less than 1 month NZ\$'000
2008		
Trade and Other Payables	0.00%	15,707
Account Betting Deposits and Vouchers	0.00%	12,888
Canwest Radio liability – non interest bearing	0.00%	58
Other non interest bearing	0.00%	10,029
Finance lease liability	8.25%	7
Variable interest rate instruments	8.25%	7,926
		46,615
2007		
Trade and Other Payables	0.00%	15,152
Account Betting Deposits and Vouchers	0.00%	12,583
Canwest Radio liability – non interest bearing	0.00%	58
Other non interest bearing	0.00%	9,054
Finance lease liability	8.25%	7
Variable interest rate instruments	8.25%	12,879
		49,733

1–3 months NZ\$'000	3 months to 1 year NZ\$'000	1–5 years NZ\$'000	5+ years NZ\$'000	Adjustment NZ\$'000	Total NZ\$'000
-	-	-	-	-	15,707
-	-	-	-	-	12,888
117	525	493	-	(37)	1,156
-	-	-	-	-	10,029
13	60	145	-	(76)	149
-	-	-	-	-	7,926
130	585	638	-	(113)	47,855
-	-	-	-	-	15,152
-	-	-	-	-	12,583
117	525	1,191	-	(123)	1,768
-	-	-	-	-	9,054
13	60	228	-	(89)	219
-	-	-	-	-	12,879
130	585	1,419	-	(212)	51,655

Notes to the Financial Statements

14. FINANCIAL INSTRUMENTS - CONTINUED

The following table details the Board's expected maturity for its non-derivative financial assets. This table has been prepared based on the undiscounted contractual maturities of financial assets including interest that will be earned on those assets except where the Board anticipates that the cash flow will occur in a different period. The adjustment column represents possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

	Weighted average effective interest rate %	Less than 1 month NZ\$'000
FINANCIAL ASSETS		
2008		
Cash & Investments		
Non-interest bearing	0.00%	392
Variable interest rate instruments	8.04%	23,073
Fixed rate instruments	8.69%	19,997
		43,462
Other Financial Assets		
Trade and Other Receivables	0.00%	4,600
Loans & Advances to Clubs		
Non-interest bearing	0.00%	-
Variable interest rate instruments	7.19%	44
Fixed rate instruments	4.00%	-
		44
		48,106
2007		
Cash & Investments		
Non-interest bearing	0.00%	354
Variable interest rate instruments	8.15%	44,509
Fixed rate instruments	8.22%	22,131
		66,994
Other Financial Assets		
Trade and Other Receivables	0.00%	2,880
Loans & Advances to Clubs		
Non-interest bearing	0.00%	13
Fixed rate instruments	4.00%	-
		13
		69,887

1–3 months NZ\$'000	3 months to 1 year NZ\$'000	1–5 years NZ\$'000	5+ years NZ\$'000	Adjustment NZ\$'000	Total NZ\$'000
-	-	-	-	-	392
2,066	140	-	-	(186)	25,093
33	37,087	1,128	-	(3,367)	54,878
2,099	37,227	1,128	-	(3,553)	80,363
-	-	-	-	-	4,600
-	660	-	-	-	660
46	198	4,623	-	(1,567)	3,344
-	43	110	-	(23)	130
46	901	4,733	-	(1,590)	4,134
2,145	38,128	5,861	-	(5,143)	89,097
-	-	-	-	-	354
2,062	126	168	-	(336)	46,529
17,124	14,760	198	-	(1,791)	52,422
19,186	14,886	366	-	(2,127)	99,305
-	-	-	-	-	2,880
25	112	600	822	-	1,572
-	41	154	-	(33)	162
25	153	754	822	(33)	1,734
19,211	15,039	1,120	822	(2,160)	103,919

14. FINANCIAL INSTRUMENTS – CONTINUED

(f) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the New Zealand Racing Board. The New Zealand Racing Board incurs credit risk from transactions with trade receivables and financial institutions in the ordinary course of business. There is no significant concentration of credit risk.

The New Zealand Racing Board has some concentration of credit risk with New Zealand Banking Institutions. To minimise this risk, the New Zealand Racing Board's policy is to hold investments with Financial institutions with an adequate Standard & Poors rating and set counterparty limits to ensure investments are spread across several Institutions.

Trade and Sundry Receivables do not have a concentration of credit risk, due to the number and spread of customers in relationship to the size of the business. There is no significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of allowances for any losses, represents the New Zealand Racing Board's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2008 NZ\$'000	2007 NZ\$'000
OTHER CREDIT EXPOSURES		
Letters of Credit	1,536	1,545

(g) Foreign Currency Exchange Rate Risk

The New Zealand Racing Board undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the New Zealand Racing Board's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2008 NZ\$'000	2007 NZ\$'000	2008 NZ\$'000	2007 NZ\$'000
Australian dollars	342	375	2,083	1,775
Pounds Sterling	6	9	8	-
US dollars	29	58	-	-
	377	442	2,091	1,775

Foreign Currency Sensitivity

The New Zealand Racing Board is mainly exposed to Australian dollars (AUD).

The New Zealand Racing Board's assesses its sensitivity to a 10% change in the New Zealand dollar against the Australian dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the New Zealand Racing Board's exposure to foreign currency risk at the reporting date has been determined by applying the sensitivity to the open foreign currency positions at reporting date.

Based on this assessment, the calculated sensitivity to a 10% change in the New Zealand dollar against the Australian dollar at the balance date was a \$193k increase or decrease in Net Return Before Industry Expenditure and Distribution and a corresponding adjustment to equity.

The Board's sensitivity to fluctuations in the Australian dollar is reduced as income due from Australia for New Zealand racing product offsets amounts payable to Australia for Australian racing product.

14. FINANCIAL INSTRUMENTS – CONTINUED

Forward Foreign Exchange Contracts

The New Zealand Racing Board's Treasury policy allows management to enter into forward foreign exchange contracts to cover foreign currency payments where the New Zealand dollar equivalent exposure is greater than NZ\$50,000.

The value of forward foreign currency contracts outstanding at 31 July 2008 is \$nil. (2007: \$nil).

(h) Interest Rate Risk

The New Zealand Racing Board has exposure to interest rate risk through its Club loans, cash and short term deposits held.

The New Zealand Racing Board's exposure to financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The New Zealand Racing Board has no interest rate swap contracts at 31 July 2008 (2007:Nil). The New Zealand Racing Board assesses its sensitivity to a 3% decrease in the New Zealand Official Cash Rate. 3% is the sensitivity rate used to report risk internally to key management and the Board.

Throughout the season, if the Official Cash Rate had been 3% higher or lower, the Board's Net Return before Industry Expenditure and Distributions would increase or decrease by \$2,712,000 with a corresponding adjustment to equity. This would be mainly attributable to increased or decreased returns on the Board's variable rate investments.

(i) Fair Value of Financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.
- The fair value of open Fixed Odds Single betting positions are calculated by applying the expected probability of each outcome to the potential gross dividend payable on any particular outcome.

Except as detailed in the following table, the Board consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	2008		2007	
	Carrying amount NZ\$'000	Fair value NZ\$'000	Carrying amount NZ\$'000	Fair value NZ\$'000
FINANCIAL ASSETS				
Held to maturity investments	56,898	58,221	54,442	54,837
TRADE AND OTHER PAYABLES				
Deferred Revenue (Presales)	(789)	(724)	(861)	(781)

15. RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
Undistributed Earnings Transferred to/(from) General Reserves	(804)	3,772	5,805
NON-CASH ITEMS			
Depreciation Expense	9,179	9,945	7,870
Amortisation Expense	5,515	5,295	5,445
Net Finance Costs	24	-	9
Foreign Exchange (gain)/loss	29	20	65
Doubtful Debts Written Off/(Recovered)	44	-	(44)
Net (gain)/loss on sale of Property, Plant & Equipment	1	-	(20)
Fair Value (gain)/loss on Financial Liabilities	(65)	-	(40)
Other Non-Cash Items	64	169	1
	14,791	15,429	13,286
MOVEMENT IN ASSETS			
(Increase)/decrease in Trade & Other Receivables	(1,720)	(664)	(99)
(Increase)/decrease in Inventories	(47)	(5)	(74)
(Increase)/decrease in Other Assets	(320)	(815)	11
	(2,087)	(1,484)	(162)
MOVEMENT IN LIABILITIES			
Increase/(decrease) in Trade Payables & Accruals	(908)	824	(748)
Increase/(decrease) in Unpaid Dividends	470	178	(330)
Increase/(decrease) in Account Betting Deposits and Vouchers	305	686	426
Increase/(decrease) in Jackpot Retentions	(576)	(360)	783
Increase/(decrease) in Employee Entitlements	1,081	(450)	371
Increase/(decrease) in Taxes Payable	1,539	-	(151)
Increase/(decrease) in Code Liability	(4,953)	(7,000)	6,831
Increase/(decrease) in Deferred Revenue	(72)	146	(64)
Increase/(decrease) in Other Liabilities	(338)	(639)	(994)
	(3,452)	(6,615)	6,124
Net Cash provided by/(used in) Operating Activities	8,448	11,102	25,053

16. RELATED PARTIES

Funding Transactions with Racing Codes

In the 2007–08 season the New Zealand Racing Board moved to bulk funding of the Racing Codes to a maximum value of \$123.5m. This funding includes a variable component between codes based on export commissions, fixed odds and on course turnover and current season market share. The majority of the funding (\$84.3m) is fixed based on Code market share for the previous two seasons. Further detail on funding is outlined in Note 20.

In addition to this a final distribution of \$4m was made to the Racing Codes for the 2007–08 season with an additional \$4m to be funded over the 2008–09 season.

ENTITY	Funding		Code Liability	
	2008 NZ\$'000	2007 NZ\$'000	2008 NZ\$'000	2007 NZ\$'000
New Zealand Greyhound Racing Association	16,022	13,479	2,129	2,628
Harness Racing New Zealand	39,532	35,090	2,264	4,135
New Zealand Thoroughbred Racing	69,869	62,186	3,533	6,116
Other Funding	2,087	1,931	-	-
	127,510	112,686	7,926	12,879

Other transactions with Racing Codes and Racing Clubs

In addition to funding transactions, the New Zealand Racing Board has numerous transactions with the Racing Codes and Racing Clubs. It is not practical to disclose all transactions with Codes and Clubs. Outlined below are some of the more significant or unusual transactions with the racing codes and racing clubs.

ENTITY	TRANSACTION	Transaction value		Balance Outstanding	
		2008 NZ\$'000	2007 NZ\$'000	2008 NZ\$'000	2007 NZ\$'000
New Zealand Greyhound Racing Association	Oncourse venue services, Trackside Operations and Radio recoveries	2,876	-	-	-
	Loan for the construction of an artificial racing surface at Manawatu Greyhound Racing Club. Refer Note 10.	660	-	660	-
Harness Racing New Zealand	Oncourse venue services, Trackside Operations and Radio recoveries	4,584	-	-	-
New Zealand Thoroughbred Racing	Oncourse venue services, Trackside Operations and Radio recoveries	6,816	-	-	-
New Zealand Metropolitan Racing Club (Inc.)	Loan for construction of stables at Addington Raceway	3,862	-	3,827	-

Compensation of key management personnel

The remuneration of Board Members and other key management during the year was as follows:

	2008 NZ\$'000	2007 NZ\$'000
Short-term benefits	2,347	2,116

The New Zealand Racing Board considers key management personnel as the Board Members, the Chief Executive, Chief Operating Officer and the General Managers.

16. RELATED PARTIES - CONTINUED

Transactions with entities in which key management personnel have an interest

Certain key management personnel have relevant interests in a number of companies with which the New Zealand Racing Board has transactions in the normal course of business. A number of the key management personnel of the New Zealand Racing Board are directors of other organisations with which the New Zealand Racing Board transacts. Any transactions undertaken with these organisations have been entered into on an arms length commercial basis.

Outlined below are some of the more significant transactions with related parties.

ENTITY	TRANSACTION	Transaction value		Balance Outstanding		RELATIONSHIP
		2008 NZ\$'000	2007 NZ\$'000	2008 NZ\$'000	2007 NZ\$'000	
KordaMentha Limited	Consultancy services	16	79	-	79	Michael Stiassny, Chairman of the NZ Racing Board, is a partner in KordaMentha
NZ Equine Industry Training Organisation Incorporated	Funding	90	73	-	73	Graeme Hansen, in his capacity as Chief Executive of the New Zealand Racing Board, is on the Board of the NZ Equine Industry Training Organisation
	Accountancy Services	(10)	-	(10)	-	The Zealand Racing Board provides accountancy and human resources services to the NZ Equine Training Organisation
Massey University Partnership for Excellence	Funding	282	211	-	-	Graeme Hansen, in his capacity as Chief Executive of the New Zealand Racing Board, is a trustee on the Equine Trust which administers the Partnership for Excellence

17. BUDGET COMPARATIVE INFORMATION

International Racing Fees, reported as part of Other Income were significantly higher than budget for the year ending 31 July 2008 as a result of Australian Betting Agencies taking additional New Zealand racing product to compensate for Australian domestic product lost due to the outbreak of equine influenza.

18. ACTUAL COMPARATIVE INFORMATION

(a) Racing Services Income

Racing Services Income has increased by \$8.6m over the comparable period in the prior season as the New Zealand Racing Board now fully recovers the cost of providing on course trackside operations, venue services and radio commentators from the racing codes. Previously on course venue services and radio commentators were charged directly from the New Zealand Racing Board to racing clubs.

(b) Funding to the Racing Industry

Variable Code Funding and Research and Integrity Funding were previously reported together as Industry Operating Expenses. This was due to a change in the Code Funding arrangement for the 2007/08 season, as agreed by the three Racing Codes and the New Zealand Racing Board.

For consistency with the current season, comparative information has been reclassified.

19. NATURE OF RESERVES

Industry Revitalisation Reserve

The Industry Revitalisation Reserve was established from retained earnings at a value of \$10.0m during 2005. The purpose of this reserve is to help drive change and improvement across the racing industry. Since its establishment, over \$6.9m has been spent on specifically identified Industry Projects. Further details of the use of this reserve can be found in Note 20c.

As at 31 July 2008, the Industry Revitalisation Reserve was discontinued and the remaining unused balance of \$3.1m was transferred to General Reserves. In future reporting periods, Industry Projects will be funded from the Net Return generated by the New Zealand Racing Board.

General Reserve

The General Reserve accommodates appropriations of retained earnings for general purposes rather than for a specific item of future loss or expense.

20. FUNDING TO THE RACING INDUSTRY

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
(a) Funding Generated by the New Zealand Racing Board			
Betting Turnover (including GST)	1,527,712	1,521,895	1,435,558
Dividends & Betting Deductions (including GST)	(1,295,593)	(1,288,530)	(1,205,483)
Interest & Other Income (excluding GST)	39,379	31,612	22,090
Operating and Selling Expenses (excluding GST)	(140,572)	(133,760)	(130,437)
NET RETURN BEFORE INDUSTRY EXPENDITURE AND DISTRIBUTIONS (excluding GST)	130,926	131,217	121,728
(b) On Course and Other Projects Funded by the New Zealand Racing Board from Net Return			
ON COURSE PROJECTS			
On Course Big Screens*	711	857	-
Customer Research Studies*	137	158	-
Destination Summer Holiday Racing*	413	410	-
Other On Course Projects	235	710	-
OTHER PROJECTS			
Club Loan Fair Value Adjustments	477	-	-
Supply Chain Wastage	72	-	-
Equine Influenza	1,004	-	-
Industry Careers Development	193	-	-
TOTAL ON COURSE AND OTHER PROJECTS FUNDED	3,242	2,135	-
(c) Funding Applied by the New Zealand Racing Board from Reserves			
INDUSTRY PROJECTS FUNDED BY THE NEW ZEALAND RACING BOARD			
Greyhound Semen Bank	48	195	105
Harness Racing Travel Subsidies	409	410	385
Christmas at the Races	298	300	-
On Course Big Screens*	-	-	468
Customer Research Studies*	-	-	133
Destination Summer Holiday Racing*	-	-	439
Other Industry Projects	223	895	1,707
TOTAL INDUSTRY PROJECTS FUNDED	978	1,800	3,237
TOTAL INDUSTRY AND ON COURSE PROJECTS	4,220	3,935	3,237

* From 1 August 2007 the highlighted projects were funded through the New Zealand Racing Board's Net Return Before Industry Expenditure and Distributions rather than through Reserves.

20. FUNDING TO THE RACING INDUSTRY – CONTINUED

	Actual 2008 NZ\$'000	Budget 2008 NZ\$'000	Actual 2007 NZ\$'000
(d) Funding Applied by the New Zealand Racing Board from Surplus Available for Distribution			
DISTRIBUTIONS TO THE RACING INDUSTRY			
Fixed Code Funding	84,261	84,261	1,500
Domestic Market Share Code Funding – Interim	10,320	14,931	79,346
Domestic Market Share Code Funding – Final	4,000	-	8,500
TOTAL CODE DISTRIBUTIONS	98,581	99,192	89,346
VARIABLE CODE FUNDING			
Fixed Odds Betting Product Payment	3,190	2,779	2,512
Industry Interest Paid on Code Liability Balances	590	250	397
Export Commissions Paid	10,153	6,183	3,588
On-Course Commission Payments	12,909	12,906	12,548
Premier Marketing Subsidies	-	-	2,238
Stakes Support to Codes	-	-	654
Other Direct Funding	-	-	126
TOTAL VARIABLE CODE FUNDING	26,842	22,118	22,063
RESEARCH AND INTEGRITY FUNDING			
JCA Review Project	62	300	-
Racing Laboratory Services	871	1,000	767
Racing Services Rebates	58	60	139
Research, Training and Education	404	600	316
Other Industry Expenses	692	240	55
TOTAL RESEARCH AND INTEGRITY FUNDING	2,087	2,200	1,277
TOTAL FUNDING	127,510	123,510	112,686
TOTAL FUNDING APPLIED FROM NET RETURN AND RESERVES	131,730	127,445	115,923

21. SUBSEQUENT EVENTS

As at the 16th September 2008, the New Zealand Racing Board is in discussions with RACE Inc. and the Bank of New Zealand in respect of restructuring RACE Inc.'s debts.

22. IMPACTS OF THE ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

The New Zealand Racing Board changed its accounting policies on 1 August 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards, with 1 August 2006 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected the New Zealand Racing Board's Financial Position, Financial Performance and Cash Flows is set out in the following tables and the notes that accompany the tables.

Effect of NZ IFRS on the Statement of Financial Performance for the year ended 31 July 2007

Effect of NZ IFRS on the Statement of Financial Performance for the Year Ended 31 July 2007				
	Notes	Superseded Policies* NZ\$'000	Effect of Transition to NZ IFRS NZ\$'000	NZ IFRS NZ\$'000
REVENUE AND OTHER INCOME				
Betting Turnover (including GST)		1,435,558	-	1,435,558
Net Dividends (including GST)		(1,166,406)	-	(1,166,406)
Betting Deductions (including GST)	h	(41,239)	2,162	(39,077)
Net Betting Revenue (excluding GST)		227,913	2,162	230,075
Interest Income		6,907	-	6,907
Other Income		15,183	-	15,183
Other Revenues		22,090	-	22,090
Total Revenues		250,003	2,162	252,165
EXPENSES				
Operating Expenses	b, c, d, e, h, i, j	128,284	2,153	130,437
Net Return before Industry Expenditure and Distributions		121,719	9	121,728
INDUSTRY AND ON COURSE PROJECTS				
On Course and Other Projects Funded		-	-	-
Industry Projects Funded		3,237	-	3,237
Total Industry and On Course Projects		3,237	-	3,237
Surplus Available for Distribution		118,482	9	118,491
FUNDING TO THE RACING INDUSTRY				
Fixed Code Funding		1,500	-	1,500
Domestic Market Share Code Funding		87,846	-	87,846
Variable Code Funding		22,063	-	22,063
Research and Integrity Funding		1,277	-	1,277
Total Funding		112,686	-	112,686
Undistributed Earnings Transferred to General Reserves		5,796	9	5,805

* Reported Financial Performance for the Year ended 31 July 2007. Superseded Policies have also been restated to Financial Performance categories as required under NZ IFRS.

22. IMPACTS OF THE ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) - CONTINUED

Effect of NZ IFRS on the Statement of Financial Position as at 1 August 2006 and 31 July 2007

	Notes	Effect of NZ IFRS on the Statement of Financial Position as at 1 August 2006			Effect of NZ IFRS on the Statement of Financial Position as at 31 July 2007		
		Superseded Policies*	Effect of Transition to NZ IFRS	NZ IFRS	Superseded Policies**	Effect of Transition to NZ IFRS	NZ IFRS
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
CURRENT ASSETS							
Cash and Cash Equivalents		32,809	-	32,809	44,863	-	44,863
Trade and Other Receivables		2,781	-	2,781	2,880	-	2,880
Financial Assets		47,652	-	47,652	49,619	-	49,619
Other Assets		750	-	750	812	-	812
Total Current Assets		83,992	-	83,992	98,174	-	98,174
NON CURRENT ASSETS							
Property, Plant and Equipment	f	47,210	(10,270)	36,940	47,556	(9,245)	38,311
Intangible Assets	f, j	5,526	9,920	15,446	4,346	8,970	13,316
Financial Assets	b	6,760	(23)	6,737	6,572	(15)	6,557
Total Non-Current Assets		59,496	(373)	59,123	58,474	(290)	58,184
TOTAL ASSETS		143,488	(373)	143,115	156,648	(290)	156,358
CURRENT LIABILITIES							
Trade and Other Payables	g	16,093	(1,225)	14,868	15,852	(700)	15,152
Account Betting Deposits and Vouchers		12,157	-	12,157	12,583	-	12,583
Financial Liabilities	g	11,412	1,225	12,637	18,765	700	19,465
Other Liabilities	c	2,390	119	2,509	2,788	111	2,899
Total Current Liabilities		42,052	119	42,171	49,988	111	50,099
NON CURRENT LIABILITIES							
Financial Liabilities	i	1,915	(232)	1,683	1,343	(125)	1,218
Other Liabilities	d, e	-	581	581	-	556	556
Total Non-Current Liabilities		1,915	349	2,264	1,343	431	1,774
TOTAL LIABILITIES		43,967	468	44,435	51,331	542	51,873
Net Assets		99,521	(841)	98,680	105,317	(832)	104,485
EQUITY							
General Reserves	a	92,253	(841)	91,412	101,286	(832)	100,454
Industry Revitalisation Reserve		7,268	-	7,268	4,031	-	4,031
Total Equity		99,521	(841)	98,680	105,317	(832)	104,485

* Reported financial position for the year ended 31 July 2006. Superseded Policies have also been restated to Financial Position categories as required under NZ IFRS.

** Reported financial position for the half year ended 31 January 2007. Superseded Policies have also been restated to Financial Position categories as required under NZ IFRS.

*** Reported financial position for the year ended 31 July 2007. Superseded Policies have also been restated to Financial Position categories as required under NZ IFRS.

Effect of NZ IFRS on the Cash Flow Statement for the period ending 31 July 2007

The only material difference between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the superseded policies is the classification of Short Term Deposits which are now treated as an Investing Activity.

NOTES TO THE RECONCILIATIONS OF INCOME AND EQUITY

(a) Reserves

The non-cumulative effect of the adjustments on General Reserves is as follows:

	Notes	1 August 2006 NZ\$'000	31 July 2007 NZ\$'000	Cumulative as at 31 July 2007 NZ\$'000
Fair Value Adjustment to Club Loans	b	23	(8)	15
Employee Entitlements – Sick Leave	c	119	(8)	111
Employee Entitlements – Long Service Leave	d	358	(19)	339
Provision for Make Good Costs	e	223	(6)	217
Fair Value Adjustment to Canwest Liability	i	(232)	106	(126)
Fair Value Adjustment to Canwest Asset	j	350	(74)	276
Total Adjustment to General Reserves		841	(9)	832

(b) Fair Value Adjustment to Club Loans

Club Loans have been adjusted on transition below face value to reflect the fair value of low-interest and interest free loans to racing clubs. The fair value of low-interest and no interest loans was determined by estimating the future value of expected cash flows, discounted using a market related rate.

(c) Employee Entitlements – Sick Leave

A liability has been recognised on transition for accumulating sick leave to the extent that it is probable that employees will take more days than their future entitlement.

(d) Employee Entitlements – Long Service Leave

The New Zealand Racing Board has a group of legacy employment contracts containing Long Service Leave entitlements. A liability has been recognised on transition for the estimated amounts probable to vest to employees in the future.

(e) Provision for Make Good Costs

A provision has been established for future anticipated costs associated with restoring leased premises to their original condition at the end of the lease term. This provision is based on the New Zealand Racing Board's previous experience and the percentage of lease term expired.

(f) Reclassification of Software

Software has been reclassified from Property, Plant and Equipment to Intangibles in the Statement of Financial Position. Depreciation charged on Software has been reclassified to Amortisation in the Statement of Financial Performance.

(g) Reclassification of the Current Portion of the Canwest Liability

The current portion of the liability due to Canwest in relation to the purchase of Radio Licenses during 2004 has been reclassified from Trade and Other Payables to Financial Liabilities in the Statement of Financial Position.

(h) Reclassification of Sporting Body Levies

The cost of Levies payable to Sporting Bodies as a function of Sport Turnover and Margin has been reclassified from Betting Deductions to Operating Expenses in the Statement of Financial Performance.

(i) Fair Value Adjustment to Canwest Liability

The Canwest Liability has been adjusted on transition below face value to reflect the fair value of future payments. The fair value of future payments was determined by estimating the future value of expected cash flows, discounted using a market related rate.

(j) Fair Value Adjustment to Canwest Asset

The opening value of this Intangible Asset has been adjusted to equal the fair value of the Canwest Liability, as adjusted for in (i) above. The change in capitalised value has also caused a reduction in the monthly amortisation charge against these assets.

TO THE MEMBERS OF THE NEW ZEALAND RACING BOARD

We have audited the financial statements on pages 51 to 86. The financial statements provide information about the past financial performance of the New Zealand Racing Board and its financial position as at 31 July 2008. This information is stated in accordance with the accounting policies set out on pages 55 to 59.

BOARD MEMBERS' RESPONSIBILITIES

The Board Members are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of the New Zealand Racing Board as at 31 July 2008 and the results of its operations and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board Members.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board Members in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the New Zealand Racing Board's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of other assurance services, we have no relationship with or interests in the New Zealand Racing Board.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the New Zealand Racing Board as far as appears from our examination of those records; and
- the financial statements on pages 51 to 86:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - fairly reflect the financial position of the New Zealand Racing Board as at 31 July 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 16 September 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Wellington, New Zealand

This audit report relates to the financial statements of the New Zealand Racing Board for the year ended 31 July 2008 included on the New Zealand Racing Board's website. The Board Members are responsible for the maintenance and integrity of the New Zealand Racing Board's website. We have not been engaged to report on the integrity of the New Zealand Racing Board's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 16 September 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Senior Executive and Management

SENIOR EXECUTIVE COMMITTEE

Graeme Hansen

Chief Executive Officer

David Walsh

Chief Operating Officer

Bill Colgan

Racing and Wagering

Dave Elliott

Distribution

Glenn Myers

Acting Chief Information Officer

Glen Broomhall

Broadcasting

SENIOR MANAGEMENT

Alan Barlow

Technology Services – Operations Manager

Sandy Brockelsby

National Racing Services Manager

Andrea Brunner

Head of Human Resources

Beth Cox

Technology Services – Manager,
Strategy and Architecture

Anthony Crummy

Head of Strategy

Michael Dore

Racing Operations Manager

Richard Ellerington

Broadcasting Operations Manager

Kevin Gutschlag

Acting Head of Fixed Odds Betting

Janice Hill

On-course Marketing Manager

Kelly McAra

Corporate Communications Specialist

Jenny Mortimer

Programme Manager – Technology
Modernisation

Neil O'Styke

Customer Strategy Manager

Bruce Proudfoot

National Retail Group Manager

Jamie Quaintance

Head of Finance

Sue Roberts

Head of Operations

Chris Rook

Brand Strategy Manager

Mandy Toogood

Executive Producer – Trackside
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Michael Wemyss

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